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The Draft Budget

On January 9, 1984 President Soeharto submitted the draft of the state budget for the fiscal year (FY) 1984/1985 -- starting April 1 -- to the House of Representatives (DPR). In size, the budget increases by roughly 24 per cent from the current budget to amount to about Rp 20.6 trillion (US$20 billion).

Some observers have found the increase rather surprising in view of the government's campaign to continue with its belt-tightening measures. Many have expected a more austere budget to reflect the reduced capabilities of the government to finance the budget. The main sources of government revenues -- oil exports and taxes -- remain quite uncertain. It still is hard to predict how far the recovery of the world economy will strengthen the demand for oil. Similarly, the new tax laws, effective as of January 1, 1984, which aim at broadening the tax base through simplified procedures, cannot immediately bring about the intended results. Non-oil taxes currently amount to only about 6 per cent of non-oil GDP.

Other observers have welcomed the 24 per cent nominal increase in the size of the budget as a means to stimulate the economy. Hit by the recession, the country's GDP growth plummeted to 2.2 per cent in 1982 from close to 8 per cent the year before. While 1983 GDP estimates have not been released, it is believed that GDP growth in 1983 is not likely to be higher than that in 1982. The government hopes for a modest recovery in 1984 and expects GDP to grow in the order of 3 to 4 per cent.

The difficulties in drafting the FY 1984/1985 budget have been acknowledged by the government. However, the improvements in the country's balance-of-payments position, a reasonably comfortable size of international reserves, as well as more encouraging signs for global economic recovery seem to have given some confidence in the government's ability to manage an increase in the budget twice as fast as the average increase over the last four years.

This rather expansionary budget does involve some costs. The increase in government salaries by about 20 per cent -- following a freeze in two years -- is being welcomed for a number of reasons. It is not clear at this stage how far this will help stimulate demand in view of the fact that prices of the more basic commodities have risen following the increase in the prices of domestic petroleum products. Prices of petroleum products were raised again in January of this year in order to reduce government subsidies to less than half of the Rp2.7 trillion which otherwise would have accrued in the FY 1984/1985 budget.

While less distorted domestic oil prices are a desirable feature for the economy over the medium-term, they cause serious adjustment problems to domestic industries in the short-run and may discourage new investments. The higher cost of money, as a result of the recent liberalization of the banking sector, and the implementation of the new tax laws tend to have the same effect, especially to private investments. Government investment, on the other hand, as indicated by the budget figures, will be increased by 12.6 per cent, much lower than the historical average of 27.8 per cent per annum during Pelita III.

STRUCTURE OF THE BUDGET (percenteges)

	FY 1984/85	Percentage increase[a]	FY 1979/80	Percentage increase[b]
Revenues	100	24.1	100	19.7
A. *Domestic revenues*	78.6	16.8	78.5	19.7
- Taxes from Oil	50.4	16.9	48.2	20.1
- Other domestic	28.2	16.7	30.3	19.4
B. *Foreign resources*	21.4	60.9	21.5	18.7
Expenditures	100	24.1	100	19.7
A. *Routine*	49.1	38.8	49.7	15.7
- Government salaries	15.5	22.8	19.6	16.3
- Materials	6.2	10.0	7.5	22.0
- Subsidy to regions	8.7	28.5	9.4	20.9
- Debt repayments	13.1	89.6	8.8	23.6
- Others (incl. oil subsidies)	5.7	62.7	4.5	23.7
B. *Development*	50.9	12.6	50.3	27.8
- Rupiah financed	29.6	-7.1	29.7	33.6
- Foreign resources (project aid)	21.3	59.7	20.6	17.6

Note: [a]From previous year.

[b]Compound annual rate of increase during Pelita III.

It is rather surprising that the overall structure of the FY 1984/85 budget (the first year of Pelita IV) is so similar to that of the FY 1979/80 budget (the first year of Pelita III). As shown in the Table inserted, the composition of domestic revenues and foreign assistance on the revenue side as well as the composition of routine (operating) expenditures and development expenditures on the expenditure side have remained the same, although economic conditions facing the country today differ from those five years ago. The FY 1984/85 budget, however, will amount to about 26 to 27 per cent of 1984 GDP, slightly higher than the average of 25 per cent throughout Pelita III.

Seen in terms of percentage increases in the budget items, there is a dramatic increase in foreign resources to sustain the budget. During Pelita III foreign resources increased by about 19 per cent per annum. The FY 1984/85 budget projects an increase of foreign resources (aid) by 61 per cent, largely to compensate for the slower growth in domestic revenues, from an average of 20 per cent during Pelita III to less than 17 per cent in FY 1984/85.

On the expenditure side, routine expenditures are projected to increase by 38.8 per cent in FY 1984/85, much higher than the average of 15.7 per cent per annum during Pelita III. This is partly due to the increase in government salaries, but partly also as a result of the increase by about 90 per cent in debt repayments, constituting a fixed obligation, as well as an increase in subsidies (mostly oil subsidy) by about 63 per cent.

Rupiah financing in the development budget is projected to decline by 7 per cent in FY 1984/85. During Pelita III Rupiah financed development expenditures increased by about 34 per cent per annum, in line with increases in government savings (domestic revenues minus routine expenditures) as a result of the second oil boom. Foreign resources will increase by 60 per cent to compensate for the decline in government savings. This significant increase in foreign financing will be made possible through more rapid disbursements of funds already commited in previous years. This would imply higher absorption through the public sector, a task not easy to realize in view of the many inherent weaknesses of the bureaucracy.

The above problems lead to a number of issues to be raised. First, with regard to the structure of the budget. It may be difficult for the government to maintain the balance between routine and development expenditures, the principle strictly adhered to thus far, in view of slower growth prospects of domestic revenues, on the one hand, and limitations to which the government can suppress routine expenditures on the other. Too rigid implementation of this principle may cause harmful effects to the economy as a whole. This leads to the second issue, namely on the role of the budget as *the* engine of develop-

ment. This role may have approached its limitation, and the question is whether the government is ready to give a greater role to the private sector in sustaining the economy. Recent public discussions have focused on this question. The government equally recognizes the relevance of this issue. But it is not clear as yet whether this issue will or can be settled in the near future.

Hadi SOESASTRO

Some Notes on Helmut Kohl's Visit

On 4-5 November 1983 Helmut Kohl, the sixth Chancellor of the Federal Republic of Germany (FRG), visited Indonesia as part of his Asian trip. The attention paid to this visit was in no way overwhelming due to unfavourable circumstances such as Kohl's preoccupation with issues relating to the deployment of NATO's nuclear warheads in West Europe and the continued recession of the German economy which made it easy for the new government to justify its relative passivity in economic diplomacy.

Presumably, economic cooperation is but one element of Indonesian-German relations. Long before the Republic of Indonesia and the FRG were founded there had been a considerable cultural encounter between German and Indonesian people, though much remains to be done to promote a more balanced cultural exchange in view of the continued deficit on the Indonesian side. To a lesser extent, political co-operation has also expanded, especially since the discovery of ASEAN by Europeans under German initiative.

Unequal Partners

The total area of the FRG is less than one half of that of Kalimantan. The country's proven natural resources are a tiny fraction of those of Indonesia. In terms of population, too, the two countries differ from each other substantially. For every 10 Germans there are 25 Indonesians. But this is the one side of the coin. A completely different picture will emerge if one turn over the coin. As of 1980 Indonesia's GDP was less than 9 per cent of that of the FRG, meaning that the value-added generated by each German in the working age was 24 times that produced by his Indonesian counterpart. In other words, the difference between the two countries is immense and so are their respective positions in bilateral relations.

Consider, first, the Indonesian-German trade. Indonesia's share on the total trade of the FRG is negligible. Yet Germany is among the important trade partners of Indonesia. In 1982 Indonesian export to the FRG amounted to 579.1 million D-Mark or roughly one fifth of Indonesian import from the FRG. While the merchandise shipped from the FRG to Indonesia consists mainly of machinery, industrial inputs and finished products -- these three categories accounted for 99 per cent of German export to Indonesia -- raw materials consisting of tin, oil cakes, natural rubber, vegetable oil and spices made up 55 per cent of merchandise export from Indonesia to the FRG. Export of manufactured products has remained negligible despite tariff concessions provided by the EEC's Generalized System of Preferences and fragmented promotional efforts made by the Indonesian Government.

Unfortunately, data on trade in services between the two countries are not available. But considering the superiority of the German fleet compared to Indonesia's ocean fleet, the existence of German direct investment in Indonesia and official capital movement in the past, one can assume that the bilateral trade in services, too, is in favour of Germany.

The economic insignificance of Indonesia from the German point of view is also reflected in the smallness of German direct investment in Indonesia. Disagreement may exist as to the benefit Indonesia can reap from German direct investment. But Indonesia's economic policy since the late sixties has been directed inter alia towards an increasing foreign investment. Moreover, European investment is particularly welcome lest an increasing dependence on Japanese and U.S. investment should thwart Indonesia's political stability. Nevertheless, only few German investors do find the way to, and invest in Indonesia. Of the cumulative direct foreign investment approved by the Indonesian Government between 1967 and mid-1983 only 2.3 per cent are German. Notice that not a single investment project of German origin has been approved in the last three years. This is not encouraging in view of the fact that, at the same time, German direct investment elsewhere is steadily increasing, meaning a further decline of Indonesia's share on total German direct investment abroad to less than 0.5 per cent at the end of 1982.

Unlike the private sector which, by and large, is reluctant to increase its involvement in Indonesia, the German government has paid great attention to Indonesia's economic development. More than US$1 billion development aid has been committed to financing of various projects in Indonesia. Prominent among these projects are the development of transmigration settlement in Kalimantan, rehabilitation of small scale rubber plantation in West Sumatra, village development in Sumatra and Kalimantan, construction of the Krakatau Steel in West Java, a study on "Bukit Asam" coal mining aimed at boosting annual production from 200,000 tons currently to 3 million tons to be used for

power generation in West Java, research and development in the field of nuclear energy, and cooperation in aircraft industry.

Disagreement may exist on the suitability of these projects or part thereof to the priority of Indonesia's economic development. Greater "external effect" may be gained by pooling scarce financial and human resources for the development of few products instead of one's involvement in various projects simultaneously. Similary, one project may have more diversified backward and forward linkages than another. But these issues must be solved by Indonesians themselves. They in no way debase the development opportunity offered by German aid to Indonesia.

Summing up this section one needs to underline the imbalance which has characterized the Indonesia-German relations for so long. True, German officials have begun to realize the importance of Indonesia in maintaining peace and stability in Southeast Asia and beyond. To an average German, however, Indonesia is a distant, exotic land, supposed to lie somewhere east or west of Bali, where allegedly, soccer does not exist. In view of this indifference, if not ignorance, tremendous efforts have to made to rouse German interest in Indonesia's potentials as an equal partner for development.

Bridging Differences

Indonesian officials may have told Chancellor Kohl and members of his entourage about specific fields where a pool of resources of the two countries can be mutually advantageous. Indonesian-German trade would have expanded considerably, had the Germans had the courage to use their leverage in urging the EEC to refrain from taking measures which had apparently hit developing countries like Indonesia more badly than anybody else. Opportunity for new German investment is also there. To increase the efficiency of industries where Germans have invested their money, an intra-industry specialization needs to be encouraged. And raw-material processing, machinery, tool and ship-building industry are open to new investment.

Obviously, obstacles are there. The prospect for a liberalization of the EEC's trade policy is dim due to economic difficulties faced by its member countries. As regards development aid, mention must be made of the declining tax income which has forced the German government to opt for an unpopular austerity budget. Indeed, the budget policy of the Kohl's government has been nicknamed a "social dismantling" *(soziale Demontage),* making it difficult to save development aid from similar cut. Rumors of corrupt government in nearly all developing countries have aggravated the problems faced by the German government in arguing for an increased budget for development aid.

A disarray in government finance has another impact upon capital flows to developing countries. The fear of wearing out the social patience on the one hand and the declining income tax on the other have forced many governments to borrow heavily in capital market and to escape, at the same time, their global responsibility. Accordingly, interest rate increased to an unprecedented height. External borrowing becomes more costly and the opportunity cost of direct investment abroad increases. This is an interesting case for the animated polemics on the "crowding-out effect" of government borrowing.

Given the dim prospect for trade liberalization, the declining reservoir of German development aid and increasing opportunity cost of foreign direct investment, Indonesia is requested to make its contribution by making adjustments in its economic policy.

Careful attention should be paid to the complaints made by German officials, merchants and investors in dealing with their respective Indonesian counterparts. Germans are scared by Indonesia's ambivalent attitude towards private business in general and foreign investors in particular. They also are wearisome of the boundless regulations on investment. The way people in Indonesia are doing business which is rich in rent-seeking activity, is for Germans difficult to grasp, let alone to imitate. Indeed, the German "Gruenlichkeit" (thoroughness) has turned out to be a serious handicap in doing business in Indonesia, a land of inaccuracies. But this is not insurmountable, provided that business communities from the two countries can be convinced of the benefit they can reap from a closer cooperation.

Chancellor Kohl's "travelling bag" was practically empty when he visited Jakarta. It contained no specific formula for the elimination of those obstacles mentioned earlier which have made difficult the expansion of Indonesian-German economic relations. The Chancellor made no specific commitment to an immediate reduction of the EEC's barriers to trade. Nor did he promise an increase of German development aid to Indonesia or a special scheme to encourage direct German investment in Indonesia. His and his party's position on issues relating to North-South relations is not as encouraging as that of Helmut Schmidt, Brandt and their Social Democratic Party. Being the successor of Konrad Adenauer and Ludwig Erhard, two politicians who had presented the Germans with an economic miracle in the fifties, Kohl and members of his party are highly suspicious of any *dirigisme* in world economy. Yet *dirigisme* is common to all proposals on the new world order made by developing countries. In other words, the circumstances are not favourable for the Chancellor's visit to be followed by a breakthrough in Indonesian-German relations.

What, then, is the importance of this visit to bilateral economic relation? Did it sink into oblivion when the Chancellor and his host, Presiden Soeharto, came back to daily business of governing in this highly fragmented world?

The rice grows silent, and so do economic relations between countries. They have to be continuously cultivated, whereby talks between heads of government are important. The Chancellor's visit was, first of all, a reaffirmation of mutuality of interest in specific fields and clarification of differences in others. Such a reaffirmation or clarification is a "public good" which can produce positive "external effects" on Indonesian-German relations. It may have strengthened the belief or faith of German business community in the vitality of Indonesian economy, despite temporary slowdown which has swept Indonesia in the last two years. On the other hand, Indonesian business community may have been convinced of the German interest in an extending economic relations with Indonesia.

Having been directly informed of the development of Indonesian economy and the tremendous difficulties imposed on it by the irritant trade policy of major industrial countries, Chancellor Kohl might have also been convinced of the urgency of relaxing barriers to import from developing countries. This is an unpleasant gift which the Chancellor had in his bag on the way back to Germany. Its importance, however, cannot be overemphasized, provided that the Chancellor and his colleagues within the EEC are willing to uncover it, and to pay attention to it while designing their policy.

Djisman S. SIMANDJUNTAK

Independent Brunei Joins ASEAN

An event of great significance for Southeast Asia at the beginning of 1984 is the full indepcndent status gained by Brunei. It means the advent of a new actor in the international politics of the region. For Brunei, it means a full responsibility to carry out its own foreign and defcnce policics.

For a long timc, Brunei's forcign and dcfence policies had bcen conducted by the Unitcd Kingdom. In 1888 Brunci accepted the status of a British protectoratc, and in 1906 Brunei agrccd to act on British advice on all questions cxccpt those relating to customs and religion. British responsibility for the

conduct of Brunei's foreign and defence policies was reaffirmed by an agreement of 1959 and amended in 1971. In 1979, however, the two countries signed a Treaty of Friendship and Cooperation which provided for Brunei's full independence after the end of 1983. Thus the attainment of Brunei's full independence is not a form of decolonization, for, strictly speaking, it has never been a "colony" in the normal sense of the word.

Geographically, Brunei is situated right in the centre of Southeast Asia, forming a part of an island, Borneo, bordering on both Indonesia and Malaysia. It occupies a salient position, facing the South China Sea which is busy with maritime activities for military or economic purposes. With the exception of Singapore and U.S. naval base in Subic Bay in the Philippines, Brunei has a sea-port which is one of the best in the South China Sea. This could make Brunei an important point for such purposes.

By its size, Brunei can be qualified as a small country covering a total land area of about 5,765 square kilometres divided into two separate enclaves. It becomes even smaller if one takes into account its population of about 200 thousand. Compared to its surrounding neighbours, Brunei's population represents one-twelfth of Singapore's or about one-seven hundred-and-fiftieth of its largest neighbour, Indonesia. However, Brunei is the richest country in Southeast Asia with per capita income of about US$22,000, mainly due to oil and gas exports.

Soon after gaining independence, Brunei was accepted by the five ASEAN member countries as its new member by a special meeting in Jakarta on 7 January 1984. The inclusion of Brunei into ASEAN marked the first expansion of the association since its establishment in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Brunei formally applied for ASEAN membership on 15 August 1983. However, the question of Brunei's ASEAN membership had been raised by ASEAN countries at least since the meeting of President Soeharto of Indonesia and Prime Minister Hussein Onn of Malaysia in Labuan on 17-18 May 1978. On the occasion of ASEAN's foreign ministers' meeting in Manila in June 1981 Brunei was first nominated formally for ASEAN membership; and in the Bangkok Meeting in June 1983, Brunei's Chief Minister stated before the ASEAN foreign ministers that Brunei had decided to join the association after its independence.

Brunei's entry into ASEAN is made easier by Indonesia and Malaysia's support. In the past Brunei was suspicious of these two neighbouring countries' intentions or designs. Its refusal to join the federation of Malaysia had resulted in Malaysia's hostile attitude by supporting the remnants of the then Partai Rakyat Brunei (PRB) -- Brunei People's Party -- to destabilize the coun-

try. On the other hand, Brunei's suspicion toward Indonesia was rooted in the fact that the latter supported the PRB revolt against the Sultan near the end of 1962 -- which was suppressed with British assistance -- in order to obstruct the formation of the Malaysian Federation. Such suspicion was turned into the opposite direction since the Soeharto-Hussein Onn summit at Labuan.

Strategically, Brunei's membership in ASEAN signifies a more coherent geo-political entity of the organization. It is for the first time that ASEAN "territory" forms a type of geographical unity. Such a development would be conducive to ASEAN's goal of a zone of peace, freedom, and neutrality (ZOPFAN) in Southeast Asia. The fact that there are similarities between Brunei on the one hand and Indonesia and Malaysia on the other in terms of geographical proximity and cultural indentity (such as Malay customs, language, and Islam as the majority), it would strengthen the core area not only within ASEAN but also in the region as a whole. Thus Indonesia's expectation that regional security and stability require Brunei's inclusion in ASEAN -- as has been formulated at Labuan Summit -- is accomplished. Now it is time for dialogues within ASEAN in a broader and coherent sphere to come to a consensus in defining the idea of ZOPFAN.

Being a small and independent state, one of Brunei's prime concerns is security and stability. While domestic situation is generally stable and calm -- although it is dependent on further development in the country -- Brunei's stability and security mainly depends on its relations with its direct neighbouring countries in ASEAN, i.e., Indonesia and Malaysia. If it is the problem, by joining ASEAN Brunei has taken a wise step to provide a kind of security guarantee. It is so because basically ASEAN is meant to seek common security and stability in the light of "progressive national development" and preserving "their national identities in accordance with the ideals and aspirations of their peoples." Furthermore, ASEAN has come to a level in which disputes would be settled by peaceful means as formulated in the Treaty of Amity and Cooperation in Southeast Asia. The treaty was adopted by ASEAN at the Bali Summit Meeting on 24 February 1976.

Besides President Soeharto's Labuan expectation, Indonesia's Foreign Minister, Dr. Mochtar Kusumaatmadja, considers that the admission of Brunei to the association not only add another member of ASEAN but it also will add the collective strength of the association. Such a strength could add ASEAN weight in regional politics and "revitalize" the idea of ZOPFAN in Southeast Asia. Indeed, the realization of ZOPFAN also involves the other Southeast Asian countries, particularly those of the Indochinese region.

On the economic cooperation, it could be expected that Brunei would help strengthen the ASEAN endeavour for a closer regional economic cooperation.

In this age of economic difficulties, Brunei's availability of a substantial foreign earning from its oil and gas exports could mean something for the association. ASEAN countries provide large opportunities for Brunei to invest its money even if Brunei's size would not be a big market for other ASEAN countries industrial and agricultural products. However, it may be needed some time before Brunei could fully involve itself in the association's economic endeavour.

Finally, in the fields of social, cultural, and technical cooperation Brunei could expect more from its fellow-countries in ASEAN. Considering that Brunei's population is very limited and there is no higher education in the country, making use of its neighbour higher education institutions for Bruneians could increase and accelerate its regional involvement, particularly in the context of ASEAN. By sending Brunei's students to various universities in the ASEAN countries Brunei could expect narrowing the gap of being left behind caused by almost 17 year old ASEAN socialization in the founding countries. Certain technical and expertise cooperation, such as on petroleum-related technology, agriculture, and public administration, could be done within ASEAN.

A.R. SUTOPO

Pacific Economic Cooperation

A number of 110 participants consisting of government officials, businessmen, academicians and journalists from eleven countries attended the 1983 Pacific Economic Cooperation Conference (PECC) in Bali on November 21-23, 1983. This conference is a continuation of the conference held in Bangkok in June 1982. The first conference, known as Pacific Community Seminar was held in 1980, which was followed by that in Bangkok. The Bangkok Meeting concluded that economic cooperation between ASEAN and other Pacific Basin countries would enhance the economic progress of ASEAN, and since international and bilateral fora have not been sufficient or effective in dealing with several issues of economic relations in the region, a regional focus was needed and in which a tripartite perspective from the viewpoint of the private sector, the government and academia on various regional economic issues was to be solicited. To achieve these objectives, the second conference agreed to establish a Standing Committee responsible for the

organization of the third conference and four Task Forces on trade in manufactures; agricultural products; minerals and energy; and direct investment and technology transfer.

The third conference discussed the results of studies conducted by the four Tasks Forces and concluded that there is need for exchange of information and consultations on various problems and policies for the strengthening of the conditions and mechanism in the region in support of economic cooperation and coordinated action for increasing trade, development and economic growth. The conference formed five Task Forces which would be coordinated by some participant countries. Indonesia, Japan and the United States were assigned to coordinate the Capital Flows Task Force in charge of studying the issues related to financial resources and services; South Korea was to coordinate the Manufactured Goods Task Force in charge of industrial complementation and trade negotiation issues, while Canada was to coordinate the Agriculture and Renewable Resources Task Force to study the development of fishery; Australia and the Pacific Basin Economic Council (PBEC) to coordinate the Minerals and Energy Task Force in charge of consultative arrangement issues. The Fifth Task Force, namely the Direct Investment and Technology Transfer Task Force, is to be coordinated by the United States, Japan and Singapore. The Task Force is in charge of studying the problem of technology transfer through investment. Thus the third conference made some progress in that it dealt with more specific issues.

The conference also concluded that PECC is the best means by which to achieve those objectives. In fact, the agreement on PECC was reached through a consensus in the conference in Bangkok in 1982. Since then the idea, has gained greater momentum. Interest in the idea has increased in a greater number of Pacific countries, notably in the market economies of the Western Pacific and North America. There has also been growing involvement of people from different walks of life: academics, businessmen and other professions as well as government officials.

Certainly, no other group of nations are as politically diverse as those bordering on the Pacific. In terms of political orientation, the nations may be divided into several groups. But economically three groups can be distinguished: Japan, the United States, Canada, Australia and New Zealand form a group of industrialized countries; South Korea, Singapore, Taiwan, one of New Industrializing Countries (NIC), and the rest of developing countries.

Indeed, in view of the great diversity among the countries of the Pacific, an organizational framework for this cooperation, economic or otherwise, seems

to be a long way off. But being a loose and informal forum, the PECC seems to be an appropriate vehicle at this stage by which exchange of views and information as well as neutral understanding may be promoted and efforts coordinated in order to pave the way for a more definite form of cooperation among the Pacific countries in the future to the benefit of all.

To that end, it has been agreed to hold the next conference in Seoul, South Korea, in 1985.

Endi RUKMO

The Indonesian Economy: Problems of Adjustment to Global Recession and Lower Oil Prices

Anwar NASUTION

SUMMARY

Recent developments have once again shown the vulnerability of the Indonesian economy to both international and domestic shocks. The world oil glut and recession in the industrialized countries led to OPEC's decision in March 1983, to cut the price of crude oil by US$5 per barrel and to impose quotas on oil production. Since the first oil shock in 1973, about two-thirds of the Indonesian government's domestic revenue and eighty per cent of the country's export value have been derived from oil. As a result, the reduction in oil export earnings have not only deteriorated Indonesia's balance of payments position but also reduced government revenue, domestic savings, and the total investment outlays of the country. At the same time, the agricultural sector has been hard hit by severe drought during much of 1982. The effect of the long drought has been particularly severe in the food sector where output dropped in 1982, except in the production of rice.

The effect of the shocks on economic growth has been dramatic. Indonesia's real GNP expanded by only 2.3 per cent in 1982 compared with 7-8 per cent during the previous decade (Table 1). This means that for the first time, during the period of the present government, per capita income of Indonesia remained stagnant in 1982.

Confronted with such difficulties, the government has taken prompt and drastic short-term economic macro stabilization policies. An austerity budget

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Paper presented at the *Eleventh Japan-Indonesia Conference*, held in Sanur, Bali, on January 23-25, 1984, organized by CSIS. Dr. Anwar Nasution is Lecturer in Monetary Economics at the Faculty of Economics, University of Indonesia.

Table 1

AVERAGE GROWTH RATES AND SELECTED ECONOMIC INDICATORS, 1960-1980

	1960-1970 (% p.a.)	1970-1975 (% p.a.)	1975-1980 (% p.a.)
Agriculture	2.7	4.4	4.1
Industry	5.2	13.4	9.7
Mining	—	—	4.6
Manufacturing	—	—	13.1
Electricity, gas, water	—	—	13.7
Construction	—	—	11.5
Services	4.8	9.7	9.0
GDP	3.9	8.4	7.5
Private consumption	4.1	8.9	7.9
Government consumption	0.9	11.0	14.8
Total consumption	—	—	8.9
GDI	4.6	18.3	11.7
Exports	3.6	11.3	5.9
Imports	3.2	25.0	14.6
GDY	—	—	11.5
Factor payments	—	—	17.2
GNP	3.9	7.6	6.9
GNY	—	—	11.2
GDS	—	—	15.0
GNS	—	—	14.4

	Economic Indicators			
	Constant Prices			Current Prices
	1960-1970	1970-1975	1975-1980[a]	1975-1980[a]
ICOR[b]	2.2	2.2	3.1	
GDI/GDP	—	—	24.1%	21.2%
Average domestic savings rate	6.3	19.4	24.0%	25.1%
Marginal domestic savings rate	—	—	29.0%	34.4%
Average national savings rate	—	—	21.4%	22.1%
Marginal national savings rate	—	—	23.3%	30.0%
Imports/GDP	—	—	29.0%	21.8%
Exports/GDP	—	—	17.7%	27.0%
Resource balance/GDP	—	—	6.1%[c]	5.2%
Import elasticity	0.8	3.0	1.95	1.01

[a] Average values are based on the five years 1976 to 1980, and marginal values on changes between 1975 and 1980.

[b] GDI 1975-1979 : GDP 1975-1980.

[c] (Exports [Imports capacity] - Imports) : GDP.

Source: Based on BPS data.

was introduced in January 1983. To make up for the decline in export earnings, the government increased its foreign borrowing. On March 30, the rupiah was devalued by 28 per cent. At the same time, monetary policy was tightened to reduce domestic aggregate demand and to reverse pre-devaluation capital outflow. On June 1, the government abolished ceiling cum selective credit policies at state owned banks, at least for non priority sectors. The state-owned banks are now free to set their deposit and loan rates for non-priority sectors. In May, the government announced that 48 capital intensive public sector projects jointly worth more than US$20 billion, were to be shelved or rephased or made available to other sources of financing. In addition, the government has also expressed its intention to invite larger participation of the private sector in economic activities as well as taking further steps to liberalize, deregulate and decontrol the economy.

The organization of this paper is as follows. An analysis of the Indonesian balance of payments is presented in section 1. The second section is a review of recent government budget and fiscal policies. The third section is an analysis of monetary policy, followed by a review of food production in the fourth section. Lastly, the fifth section is a projection of the future of the Indonesian economy.

BALANCE OF PAYMENTS

Indonesia's balance of payments reached its peak in 1980 after the second oil shock in 1979 (Table 2). The oil glut and world-wide economic recession started to affect Indonesia's economy in 1982. Her net export value dropped by 38 per cent in that year and non-oil exports by 30 per cent. On the other hand, non-oil imports continued to rise, though less rapidly than in the preceeding years. As a result, a current account surplus of US$2 billion in 1980/1981 turned into a deficit of US$3 billion in 1981/1982 and US$6.7 billion in 1982/1983. A deficit of US$6.5 billion is expected in this 1983/1984 fiscal year as a result of March 1983 oil price cut and production quota.

To ride out the difficultics, in 1982/1983 the authorities drew heavily on the foreign exchange reserves that Indonesia had accumulated primarily during 1979 and 1980. Table 2 shows that the total foreign assets of the banking system fell from US$11.3 billion in March 1982 to US$9.1 billion at the end of the same year, and further declined to US$8.8 billion at the end of February 1983. Large reductions in net foreign assets of the banking system during the last quarter of 1982 and the first quarter of 1983 were partly because of large capital outflows due to speculative pressures preceeding the latest devaluation. The March 30th, 1983 devaluation, the second measure to

minimize the current account deficit, reversed the capital flow and rebuilt the foreign exchange assets of the banking system.

Table 2

BALANCE OF PAYMENTS, 1974/1975, 1979/1980 - 1983/1984
(US$ million)

	1974/75	1979/80	1980/81	1981/82	1982/83 est	1983/84 proj
Export	6,581	18,510	22,885	22,994	19,385	17,483
Oil & LNG (gross)	4,548	12,340	17,297	18,824	15,630	13,182
Non-oil	2,033	6,171	5,587	4,170	3,754	4,301
Imports	-6,514	-13,205	-17,589	-22,635	-22,681	-20,502
Oil sector	-1,910	-2,940	-4,050	-5,407	-5,468	-4,551
Non-oil imports	-4,341	-9,028	-11,837	-14,561	-14,803	13,986
Non-factor services (net)	-263	-1,237	-1,702	-2,667	-2,411	-1,965
Factor Services	-205	-3,106	-3,165	-3,149	-3,466	-3,481
Public debt interest	-80	-635	-724	-820	-998	-1,271
Others	-125	-2,471	-2,441	-2,329	-2,468	-2,210
Balance on Current A/C	-138	2,198	2,131	-2,790	-6,762	-6,501
Capital Inflow						
Public m & lt loans						
Disbursements	(1,120)	(1,939)	(2,864)	(3,203)	(4,981)	(5,600)
Amortisation	(-212)	(-1,335)	(-987)	(-1,001)	(-1,376)	(-1,699)
Net disbursements	908	604	1,877	2,202	3,605	3,901
Grants	75	52	76	67	100	100
Direct investment	538	217	140	139	276	350
Other (net)	-1,392	-1,381	-1,488	-606	-499	2,420
Change in Reserves	9	-1,690	2,736	988	3,280	-270
Memo Items						
Net official reserves	920	4,606	7,342	6,354	3,074	3,344
Net foreign asset of banking system		6,906	10,787	11,154	6,674	6,144

Source: World Bank.

The government's decision to shelve, rephase and review its large projects was the third measure to narrow the foreign exchange gap. Rephasing of four major public sector projects alone saved more than US$3 billion of budgeted foreign exchange expenditures in the 1983/1984 fiscal year. The rephased projects are: the US$1.35 billion Musi oil refinery in Sumatra, the US$0.6

billion Bintan aluminium project, the US$1.5 billion Pertamina arimatic plant in Plaju, and the US$1.6 billion olefin complex in Aceh. Projects that are now under review are, among others: the US$4.2 billion integrated sea communication program, the US$1.9 billion mass transit railway system for Jakarta, and the Biliton coal projects.

The fourth step is to bolster the level of international borrowings. In January, 1983 the IMF announced that it had agreed to lend Indonesian SDR 69 million from the Indonesian contribution to IMF commodity buffer stock. In March, Indonesia obtained a US$1 billion commercial loan through Morgan Guaranty Trust, another Yen 24 billion syndicated loan, and a DFL100 million bond issued in the Netherlands. From the IGGI, Indonesia obtained a new commitment of US$2.2 billion in aid and loan for the 1983/1984 fiscal year.

According to a report by Morgan Guaranty Trust, Indonesia is now the seventh largest borrower in the world. By the end of 1982, the gross external

Table 3

NET FOREIGN ASSETS OF THE BANKING SYSTEM AND FOREIGN EXCHANGE RESERVE, 1977-1983
(Rp billion)

Period	Bank Indonesia	Commercial Bank	Total	Exchange Rate (US$1 = Rp)	Total Foreign Assets (US$ billion)	Net Foreign Exchange Reserve (US$ billion)
1977	1,052	316	1,368	421	3.2	2.4
1978	1,655	685	2,340	633	3.7	2.6
1979	2,636	1,315	3,951	632	6.3	4.1
1980	4,360	2,740	7,100	634	11.2	6.5
1981	3,221	3,233	6,454	632	10.2	6.1
1982:						
March	4,201	3,217	7,418	655	11.3	6.3
June	3,338	3,381	6,719	660	10.2	4.6
September	3,284	3,124	6,408	673	9.5	4.2
December	3,730	2,591	6,321	692	9.1	4.1
1983:						
January	3,891	2,738	6,629	699	9.5	4.0
February	3,400	2,818	6,218	704	8.8	3.6
March	3,005	4,326	7,331	707	10.4	3.1
April	4,376	4,363	8,702	976	8.9	3.4

Sources: 1. Bank Indonesia, *Indonesian Financial Statistics,* various issues.
2. Biro Pusat Statistik, *Monthly Statistical Bulletin,* August 1983.

debt of Indonesia was US$24.4 billion. The report predicted that the total debt service ratio of Indonesia in 1982 year would be 28 per cent of total exports. If the roll-over of short-term debts are excluded, then the ratio becomes 14 per cent. Nevertheless, those ratios are much lower than those of the Latin American countries such as Argentina, Brazil, Chile, Mexico, Equador and Venezuela whose total debt service ratios already exceed their respective annual export values. Those Indonesian figures are also below the debt service ratios of the Philippines, Thailand and Korea.

The past few years have witnessed a gradual shift in Indonesia's sources of foreign borrowing. In the past, most of the foreign borrowing came from Official Development Assistance (ODA), but since the *Pertamina* financial crisis in 1974/1975, the shares of commercial credits, syndicated loans and proceeds of bond floating in international markets have been increasing (Table 4). The terms of credit from ODA are much softer than of those from other sources. The reason for this shift, apart from being a member of OPEC, is because Indonesia is no longer considered a poor country. With income per capita at US$530 (1981) Indonesia now belongs to the middle income group, according to the World Bank's classification.

Table 4

INDONESIA'S FOREIGN BORROWING: NEW COMMITMENTS 1975-1982
(US$ million, current prices)

	1978	1979	1980	1981	1982	Average Terms 1981	
					(est)	Interest (%)	Maturity (Years)
Official development assistance	*1,523*	*2,227*	*2,074*	*1,657*	*1,810*		
Bilateral Concessional	773	1,150	1,055	482	760	2.5	28.7
Multilateral	750	1,077	1,019	1,175	1,050	10.0	21.0
Import related on "commercial" terms	*373*	*1,133*	*1,011*	*2,778*	*2,140*		
Official	27	87	440	673	270	8.1	14.7
Buyers credits	305	817	449	883	940	7.4	11.7
Suppliers credits	41	229	122	1,222	930	6.9	9.6
Untied borrowings	*1,393*	*836*	*1,097*	*744*	*1,000*		
Financial institution[a]	1,295	773	1,052	704	1,000	15.5[a]	10.0
Bonds	98	63	45	45	—	8.6	10.0
Total	*3,288*	*4,197*	*4,182*	*5,184*	*4,950*	*8.6*	*15.0*

[a] At variable rates.

Memo: LIBOR (The London Inter Bank Offer Rate) averaged 16.5 per cent in 1981.

Source: World Bank Debtor Reporting System.

To improve the balance of payments position, and to reduce debt service ratios, the government intends to promote non-oil exports. Nevertheless, the measures the government has taken to pursue this objective are somewhat contradictory. The provision of concessional export credits, the establishment of export insurance, and devaluation are all beneficial to exporters. On the other hand, imposing quotas on exports of copra and palm oil has turned Indonesia into an unreliable source of those products. The export counter-purchase requirement on certain public sector contracts disturbs traditional marketing channel of Indonesia's own export commodities in international markets. This measure, along with the reservation of the exclusive rights to Indonesian shipping companies for shipment of government imports, has increased the cost of imports.

Port facilities need to be improved and customs procedures need to be simplified to step up non-oil exports. The industries themselves need structural adjustments in order to increase production and reduce costs. For example, capital utilization in plywood industry is now only around 50 per cent using two shifts of operation. Reducing excess capacity is not an easy task. Infrastructure has to be established. Ocean going shipping lines and international markets for plywood are in the hands of few foreign multinational companies.

Management of Foreign Exchange

Theoretically, since November 15, 1978 the external standard of the rupiah has been changed from its previous link to the U.S. dollar to a basket of currencies of Indonesia's trading partners. The currency composition of the basket and their weights are never disclosed by the authorities. By changing this standard, the variance of the Indonesian real exchange rate is, theoretically, reduced and the impact of external terms of trade on domestic inflation is theoretically moderated.

Nevertheless, empirical evidence shows that a close link between rupiah and U.S. dollar has remained after the last two devaluation measures. Rupiah rate to U.S. dollar is fairly stable compared to U.S. dollar rate to other major currencies. Because U.S. dollar is Indonesia's export currency, appreciation of it *vis-à-vis* other major currencies, has caused a downturn in Indonesian import prices (mostly originating from Asia and Europe), while her export prices have remained unchanged. In addition, holding of U.S. dollar has become more attractive in speculating for rupiah devaluation. As a result, the government depletes its holding of foreign exchange reserve in order to support the pegged rate.

GOVERNMENT BUDGET

During the 1970s there was a rapid growth in the size of the government budget. Total revenue (in real terms) rose rapidly due to the two oil shocks in the decade. In 1969/1970, the first year of *Pelita I,* domestic revenue only equalled 9 per cent of GDP. Most of this came from indirect taxes on foreign trade. Ten years later in 1979/1980, at the beginning of *Pelita III,* domestic revenue had risen to 21 per cent of GDP (Table 5). In the 1979/1980 fiscal year, oil corporation taxes contributed 64 per cent of total domestic revenue, compared to only 20 per cent in 1969/1970. During the past decade, non-oil domestic revenue and foreign aid, as a share of annual GDP during the period, has remained unchanged. The non-oil domestic revenue has fluctuated around 7 per cent of GDP.

Table 5

GOVERNMENT REVENUE AND EXPENDITURE, 1969/70 - 1983/84
(Rp billion)

	1969/1970	1974/1975	1979/1980	1981/1982	1982/1983	1983/1984[1]
I. *Domestic Revenue*	243.7	1,753.7	6,696.8	12,212.6	12,418.3	13,823
Domestic revenue excluding oil	195.4	780.6	2,437.2	3,584.8	4,249.9	4,954
Oil corporation tax	48.3	973.1	4,259.6	8,629.8	8,170.4	8.864
II. *Expenditure*	309.4	1,827.0	8,076.0	13,917.7	14,335.9	16,565
III. *Deficit* (II - I)	65.7	93.3	1,379.2	1,705.1	1,937.6	2,742
IV. *Gross Domestic Product (GDP)* at current market prices	2,718.3	6,753	32,025.4	54,027[2]	59,632.6[3]	68,577.5[4]
V. *Export price of Minas oil* (US$1 barrel)	1.67[5]	12.60[6]	21.12[7]	35.0[8]	34.53[9]	29.53[10]
VI. *As share of GDP* (%)						
Domestic revenue	8.9	26	20.9	22.6	20.8	20.2
Domestic revenue excluding oil	7.2	11.6	7.6	6.6	7.1	7.2
Oil corporation tax	1.7	14.4	13.3	16.0	13.7	13.0
Expenditure	11.4	27.1	25.2	25.8	24.1	24.2
Deficit	2.5	1.1	4.3	3.2	3.3	4.0

Notes: [1] Budget figures
[2] Revised figure
[3] Prelimary figure
[4] Estimates, assuming 15 per cent increases in nominal GDP in 1983/1984
[5] As of January 1969
[6] As of July 1974
[7] As of July 1979
[8] As of January 1981
[9] As of November 1982
[10] As of February 1983

Source: BPS, *Monthly Statistical Bulletin,* various issues.

As the oil tax revenue boomed so did total expenditures. The government has maintained its balanced budget policy ever since *Pelita I.* The meaning of the balanced budget is that the budget deficit is financed by foreign aid and loans, which are classified as "development revenues." Foreign aid and loans contributed to between 3 to 4 per cent of GDP during Pelita I and III. In 1970/1971 the contribution of foreign aid and loans to total revenues was 26 per cent, but this declined to 17 per cent in 1979/1980. Total government expenditures increased to almost 26 per cent of GDP in 1981/1982 compared to 11 per cent in 1969/1970.

Because the government revenue is so dependent on oil tax receipts, stagnation in the price of oil, which happened for several years following the first oil shock, caused total spending to be curbed. Due to the oil glut in recent years, following the second oil shock in 1979, oil tax receipts in U.S. dollar have been falling well below the expected level. Without the March 1983 devaluation, the 1982/1983 and the present 1983/1984 budgets could not have been balanced. Since the tax bureaucracy has been unable to raise revenue at home to make up the shortfall in oil tax receipts, the only alternative has been to reduce government expenditures. In 1982/1983 the government expenditures were reduced to 24 per cent of GDP.

For the second successive year, in January 1983 the government raised the price of domestic petroleum products to reduce the burden of subsidies on the budget. Subsidies on fertilizers and pesticides were reduced while subsidies on certain food items were abolished.

Wages of public servants were frozen for at least the 1983/1984 fiscal year. A range of cost saving measures (such as reducing purchases of government vehicles, halting the construction of new buildings for various government departments that had been scheduled for the 1983/1984 fiscal year) are also being implemented. These policies are intended to reserve as much as possible of the available resources for development programs. Nevertheless, some of the development expenditures are actually not capital expenditures since they are salary supplements that should have been classified under "routine expenditures."

On tax policies, as of 15 November 1982, the government has increased the departure tax from Rp35,000.00 per household to Rp150,000.00 per person, levied on residents of Indonesia. This tax is not related to the economic position of a taxpayer. On 5th November 1983, the government presented to Parliament a draft of the Income Tax Act, Value Added Sales Tax and Tax Procedures Act to replace the existing tax laws, except for the tax on oil companies. The objective of these proposed acts is to increase tax revenues by broadening the tax base, hopefully to make up for the decline in

oil tax revenue. The proposed tax system is simpler than the present one. Personal and corporate incomes are subject to the same tax rate. There will be only three brackets, compared to 58 in the present system. Those earning up to Rp10 million will be subject to a 15 per cent income tax rate. From Rp10 to Rp50 million the rate will be 25 per cent and above Rp50 million, 35 per cent. The government expects that Parliament will pass the draft into law before 1st April 1984 and back date its applicability to January 1st, 1984.

There are many reasons why tax collection is low in Indonesia. *First,* people are reluctant to pay tax since they have to pay levies fees, contributions and even bribes for services or documents they obtain from nearly all branches and layers of the government. Some of these collections are illegal and are not included in the budget. *Second,* the Indonesian legal and accounting systems are still relatively undeveloped and therefore there is no way to measure the economic position of a taxpayer accurately and to enforce regulation according to the letter of the law. *Third,* the taxation machinery is inefficient.

Tax collection is not only a function of the tax rate and tax base, but also of the efficiency, the ability and the honesty of the tax machinery. Tax reforms only deal with the tax rate, tax base and procedures. It will take a very long time to improve the legal and accounting systems, to strengthen the tax machinery and to change people's behaviour, as well as to improve government services, before the government can collect substantial revenue from domestic taxes.

MONETARY POLICY

As has been discussed in the previous section, since the oil price rise in late 1973, the government budget has become increasingly dependent on oil tax receipts and foreign aid and loans. These receipts do not reduce private domestic resources because they are transfers from foreigners. Oil tax revenues collected from domestically based foreign owned oil companies, for example, would otherwise have been repatriated abroad. These receipts, and export taxes are received by the government in foreign exchange.

On the other hand, most of the government domestic expenditures are in Rupiah. This expenditure adds directly to domestic demand. In the present balanced budget policy, deficits in the domestic part of the budget (in Rupiah) are financed by surpluses in the foreign component of the budget (in foreign exchange). In other words, the government monetizes its receipts in foreign exchange to balance its budget. As a result, the money supply has increased very rapidly during the last decade (Table 6) while net foreign assets of the

banking system has increased as well (Table 2). This analysis shows that the structure of the government's budget and its policy to keep it balanced are the main sources of increases in money supply and hence in inflation.

Table 6

MONEY SUPPLY, GNP, INFLATION RATE AND INCOME VELOCITY OF MONEY, 1970-1982

Year	Money Supply (Rp billion)	GNP (Rp billion)	Percentage Change in[1]		Income Velocity of Money[2]
			Money Supply	Price Level[1]	
1970	241	3,290	34	8.9	—
1971	320	3,605	70	2.5	12.8
1972	474	4,405	48	25.8	11.1
1973	669	6,508	41	27.3	13.4
1974	937	10,201	40	33.3	10.9
1975	1,250	12,087	33	19.7	11.0
1976	1,603	15,035	28	14.2	10.5
1977	2,006	18,332	25	11.8	10.1
1978	2,488	21,606	24	6.9	9.6
1979	3,385	30,541	36	21.8	10.4
1980	4,995	41,435	48	16.0	9.9
1981	6,486	52,102[3]	30	7.1	9.0
1982	7,121	57,675[4]	10	9.9	8.5

Sources: 1. Bank Indonesia, *Weekly Report,* various issues.
2. Biro Pusat Statistik, National Income of Indonesia (main tables), various issues.

Notes: [1] The Jakarta Cost of Living Index through 1978 and the Consumer Price Index for Indonesia (Composite of 17 cities) thereafter.

[2] Income velocity of money = $Y_t / \frac{1}{2} (M_{t-1} + M_t)$.

[3] Revised figures.

[4] Preliminary figures.

To reduce inflationary pressures, Bank Indonesia, the central bank, has been using ceiling cum selective credit policies since April 1974 as instruments to control the expansion of total credits given by state-owned banks and to direct the allocation of credits by economic sector, by race of the recipient and by the size of the company. By definition, ceiling maintains status quo and therefore discourages competition among banks and between banks and other financial institutions. As a result inefficient banks are protected from being overcome by the more efficient ones. The existing capital market segmentation is preserved, thus tending to prevent reduction of cost of intermediation.

Selective credit controls involve the central bank more deeply with the state owned bank operations. To be effective, regulations on selective credit have to be more detailed. It is also necessary to organize effective supervisory machinery; problems of enforcement cannot always be left to conventional solutions. As a result, the state-owned banks need more time and resources for uneconomic administrative work to verify customers' dossiers and reports. In this kind of situation, bankers tend to be part of government bureaucracy and as a result more delay, uncertainty, and other inefficiencies are expected and less credit can be handed out.

The recent partial liberalization of the state-owned banks cannot and will not produce instant positive effects. Overstaffing cannot be solved overnight since firing people, eventhough they are unproductive, is unpopular. Their portfolio structure, organization, and procedures need to be changed, and this takes time. Liberalization needs a different set of qualifications for staff than is the case under a controlled system. A liberal system needs capable employees while a controlled system need subservient ones.

Loan rates have been subsidized at state owned banks and, for priority sectors, still are. At times, rates of interest are even lower than inflation rates during comparable periods. As a result, the recipients of credit are subsidized by simply obtaining credits from the state-owned banks. Since the allocation of credits is not done through an interest rate mechanism, their allocation is similar to rationing.

Since the real rate of interest is arbitrarily fixed at a point which is negative and much lower than its equilibrium level, saving, investment and financial intermediation are sub-optimal. As a result of subsidizing loan interest rates, for example, low yielding investment activities becomes feasible, which would otherwise be unprofitable at positive equilibrium real interest rate.

The effectivity of credit rationing to pursue the stated government objectives is questionable. In order for a selective credit policy to be effective, the degree of bank credit fungibility would have to be zero. Fungibility is defined as the ability of business firms to borrow credits for a particular purpose but use it for others. As the entrepreneurial sector in Indonesia is traditionally engaged in a variety of activities, business firms are likely to apply funds for various uses, according to their needs, not necessary to the requirement imposed by the sources of the funds.

Since financing of their credits has been fully guaranteed by the central bank, the state-owned banks have been almost constantly over liquid. Because there is no need to mobilize funds, sometimes the state-owned bank have refused to receive new time and saving deposits. During the last years of the

last decade, the banks were encouraged to invest their over liquidity abroad. Since none of them has mastered the game in international markets, their overseas placements have been mostly in demand and short-term time deposits.

The present partial liberalization of the state-owned banks, under which they can set their own deposit rates as well as lending rates for non-priority economic sectors, will not produce immediate significant results either in mobilization of national savings or in a better allocation of resources. Because they have been fat cats for a decade, it will take time to build their capabilities to catch the mice.

Table 6 shows that rates of growth of the money supply have been consistently higher than inflation rates. This phenomenon can be partly explained by the increase in the demand for real balances due to increases in people's real incomes, and in the price level of non-essential goods. Another explanation is because the prices of many items used in calculating the price indexes are controlled and subsidized by the government.

Except in 1973 to 1975 and 1979, the income velocity of money has tended to decline since Pelita I. In the course of economic development since 1969/1970, with structural change and increasing urbanization and specialization, there has been an increase in market transactions at the expense of subsistence production. As a result, there has been an increase in the public's demand for real balances relative to output and thus to reduce the income velocity of money. The increase in velocity in 1973 to 1975 and 1979 was due to the oil shocks in those years that led to higher government expenditures, higher price expectation, and higher rates of inflation.

FOOD PRODUCTION

Due to the long drought in 1982, paddy production rose only by 4 per cent in 1982, compared to 12 per cent in 1980 and 10 per cent in 1981 (Table 7). As a result *Bulog* reduced its domestic rice procurement and is expected to increase its imports in order to replenish its iron stock.

Production of other staple foods declined in 1982. Maize production dropped by 29 per cent so that it had to be imported from Thailand to meet the growing demand for animal food. Production of other *palawija*.crops such as cassava, peanuts and soybean also suffered since they are mainly produced in the dry season and largely on unirrigated land.

These problem are not a serious threat to food security in Indonesia since *Bulog* has proven itself as a dependable agency in dealing with food shortage

emergencies in the past. Nevertheless, the disappointing production of staple food came at a particularly bad time because of the oil glut. The reduction in total exports was accompanied by an increase in import of staple food.

Table 7

PRODUCTION OF FOOD CROPS, 1979-1982 (1,000 tonnes)

Crop	1979	1980	1981	1982
1. Paddy	26,283	29,652	32,774	34,104
2. Maize	3,606	3,991	4,509	3,207
3. Cassava	13,751	13,726	13,301	12,676
4. Sweet Potatoes	2,194	2,079	2,094	1,897
5. Peanuts	424	470	475	434
6. Soybean	680	653	704	514

Source: Bank Indonesia, *Indonesian Financial Statistics,* June 1983.

FUTURE PROSPECT

Whether the government can maintain the momentum of development and lift the growth rate back to the 7-8 per cent range, depends upon its ability to compensate for the decline in oil taxes by mobilizing domestic resources through taxation and the banking system. Since development needs foreign exchange financing, the government ability to step up non-oil exports is also crucial. All forecasters predict that even though the nominal price of oil will continue to rise in this decade, in real term it is going to decline.

The first quarter after partial liberalization of the banking system witnessed a dramatic change in the composition of deposits at state-owned banks. Their holdings of time deposits with maturities of up to one year has been increasing at the cost of a declining trend in demand deposits with a maturity of 24 months. This evidence shows that bank customers do change their structure of portfolios as a reaction to the changes in the term structure of interest rates that had been brought about by the partial liberalization in the banking system. The outstanding position of overall time deposits with state banks increased from Rp911.8 billion (May 1983) to Rp1,581.7 billion (September 1983), an increase of more than 50 per cent in less than four months.

Theoretically, mobilization of savings through the banking system can be increased as long as it is convenient, it is simple, it is safe and, as long as it of-

fers a satisfactory return for savers. The savings rate in Indonesia is quite high. For example, an analysis of *Susenas* data (National Expenditure Survey) suggests that in rural areas, households save on average about 20 per cent of their income. Unfortunately, only a small fraction of that enters the formal financial system.

Mobilization of saving through the banking system can also be increased by making payments of most of government's transactions (including civil servants' salary) through the banking system compulsory, that is by using checks that can be cashed at any bank. Another measure would be to increase the ratio of monetization of the economy, that is, to increase the volume of money relative to national product, before spilling over into inflation. Currently, the ratio of money, in its broad definition, to GDP in Indonesia (19 per cent) is much lower than in Malaysia (53 per cent), in India (28 per cent), of in Nigeria (28 per cent). To increase the degree of monetization of GDP, the number of branch offices of the banks should be increased and public relations campaigns by the banks should be intensified because many people do not know about the advantages, purposes and functions of a bank and a banking system.

Extending of loans encompasses a totally different set of issues from savings mobilization. The latter is concerned intimately with incentives for saving. The first relates to the bank's transaction cost and its perception of efficiency of the loan market. Transaction cost is the administrative cost per unit of loan. Efficiency of the loan market relates to the bank's perception of uncertainty with regard to the productive return of the project that is financed by the credit, and the ability of the bank to select honest borrowers and projects that give greater mean returns.

Ceiling cum credit policies with subsidized loan interest rates had increased transaction cost of the state-owned banks. High default rates on their credit shows their inefficiency in extending loans. These reasons along with the current economic downturn have slowed credit expansion of the state-owned banks after liberalization.

In September 1982, the central bank issued a regulation to control foreign assets of the state-owned banks. Since then, these banks cannot freely convert their Rupiah excess liquidity into foreign assets. In return, Bank Indonesia offers a 13.5 per cent interest rate on excess reserves of commerical banks deposited at the central bank. Excess reserves would have otherwise been neutralized without interest cost by increasing their reserve requirement.

Aside from the above policy, until now, six months after partial liberalization, it is not clear what is the target of the monetary policy of Bank Indonesia,

much less the types of instruments it uses in executing the policy. There has been no announcement on the targeted rate of growth of its domestic credit (and money supply), and there is no rediscount rate on the non priority sector. This aggravates the uncertainties that are now faced by the banking system and the whole financial system at large.

To achieve the more important economic objectives of the government in mobilization of domestic savings, better allocation of economic resources, and promoting non-oil exports, the present discrimination on private banks should be relaxed. Small domestic banks, which traditionally serve small firms and small savers, should be encouraged to increase their participation in mobilization of small savings as well as in channelling credits to this class of customers. Expertise of foreign banks should be used to expand non-oil exports. There is little doubt that they have more experience in dealing with financing of export counter purchase, than state-owned banks have. For these reasons, these banks should have more access to rediscount facilities at the central bank.

To reduce pressures on the government budget, government investment through state-owned enterprises have to be reduced and reviewed. The state-owned enterprises should be encouraged to mobilize funds through capital market, as successfully done by PT Jasa Marga, a toll road public company. New public investment has to be concentrated on provision of public goods, leaving more of the production of private goods to the private sector. The public companies need to be re-dressed and strengthened in order to make them agents of development or at least not burdens to society.

Decontrol, deregulation and other non-interventionist programs are necessary to place more reliance on market forces in order to create an environment in which businessmen can operate without too much direct interference from the government bureaucracy. The existing pricing and industrial policies and licensing procedures for investment and for trade have become too burdensome for the economy and production and have hindered the export promotion of non-oil commodities.

Perspectives on the Indonesian Economy: Towards the Year 2000

Djisman S. SIMANDJUNTAK

Any study on future development is subject to uncertainties. On the one hand changes may come too rapidly that no one can anticipate them. When the main elements of the present International Economic Order were set up at the end of the forties, nobody could have foreseen that their main proponents would quickly change their position when new competitors like Japan and South Korea entered the world market with an unprecedented vitality. On the other hand, changes may take place too slowly or just fail to appear. The economic emancipation of the then colonized America, Africa and Asia, once anticipated by Adam Smith,[1] has, by and large, failed to materialize though more than 200 years have elapsed since the publication of "The Wealth of Nations."

In short, between the present and the future there is a bridge which is full of uncertainties. Nevertheless, we can be quite sure of a few things. First, population trend cannot be reversed abruptly. Second, there is a permanent struggle of people for better living conditions. Third, what the future may look like depends to a large extent on the achievements of the present generation.

Disagreement may exist on what constitutes better living conditions. But to a low-income country like Indonesia it means, among other things, higher calorie, protein and fat intake, better housing, better clothing, improved health

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[1] Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations* (New York: Modern Library, 1937), p. 591.

condition, higher level of education and better income distribution. One can easily extend the list of these indicators or further specify them. What is important is the fact that the resources available to an economy are scarce.

The relative unlimitedness of human needs in terms of the availability of resources postulates a resource management within an economy irrespective of its *de facto* system. To facilitate such a management one needs to identify the main contours of future development. No doubt, such a venture involves a certain degree of speculation which will be the greater, the longer the future period one has in mind.

GROWING POPULATION

As of mid-1980 Indonesia has a total population of 149.5 million resulting in a density of 78/km2 which is higher than the world average though not necessarily alarming.[2] Indonesia has a huge area at its disposal which is still waiting for human touch. What concerns the country is the race between economic development and mounting population problems rather than the absolute number of its population.

Various studies have been made on the trend of Indonesian population. Prominent among them are the projection of Indonesia's Central Bureau of Statistics (BPS) made in 1979 with a revised version published in 1983[3] and the World Bank's projection from 1979 which is continuously updated.[4]

One of the main findings of these studies concerns the growth rate of Indonesia's population which increased from 2.1 per cent in the sixties to 2.3 per cent in the period between 1970 and 1981.[5] This increase was to some extent surprising in view of the tremendous efforts made by the government to promote family planning. But there is a simple explanation for this increase. As the average earnings of the population increased, more resources had been spent for health improvement resulting in a decreasing death rate. In fact the crude death rate in Indonesia declined by 41.8 per cent between the sixties and the

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[2]*Proyeksi Penduduk Indonesia 1980-2000* (Jakarta: Biro Pusat Statistik Indonesia, 1983), p. 44.

[3]*Ibid.*

[4]The World Bank's population projection is regularly published in its annual World Development Report.

[5]*Nota Keuangan dan Rancangan Anggaran Pendapatan dan Belanja Negara 1983/1984* (Jakarta: Departemen Keuangan, 1983), p. 247.

seventies, while the crude birth rate decreased more slowly, namely by only 24.4 per cent.[6]

As to the future trend, both the BPS and the World Bank estimate a lower growth rate of population. It will, according to BPS, be steadily decreasing from about 2.2 per cent in the first half of the eighties to about 1.9 per cent in the second half of the nineties,[7] whereas the World Bank expects a growth rate of 2 per cent for the last two decades of this century. It is assumed that a reproduction rate of 1 will be reached in the year 2020 and stationary population of about 400 millions in the year 2140.[8] It follows that the country's total population would increase from 148 million in the mid-1980 to 222.7 million at the turn of the next century and to 327.7 million in the year 2025.

An increase in population does not necessarily mean a heavier burden to an economy. If new employment opportunities can be created, population increase may contribute to the improvement of the welfare of a nation. Indeed, some countries have, from time to time, suffered from labour shortage rather than from labour surplus as was the case in Europe of the sixties. The same phenomenon has also appeared in the oil exporting countries of the Middle East since the late seventies following the huge inflow of oil money. Nevertheless, in many developing countries population increase has turned out to be a serious problem due to the inability of the economy to generate employment opportunities on a sufficient scale.

Among the many challenges Indonesia is going to face in the coming decades is the creation of employment opportunities. It is expected that the country's labour force which amounted to 48.9 million in 1976, would increase at an annual rate of no less than 2.5 per cent until 1985 and 2.4 per cent in the last fifteen years of the century. The result will be a labour force of approximately 61 million and 83 million in 1985 and 2000 respectively. Bearing in mind the employment problems facing Indonesia up to the present a question has to be raised as to the ability of the economy to absorb in a productive way the expected increase in labour force. In this connection some unfavourable conditions need to be scrutinized.

Indonesia's population is highly uneven in terms of its regional distribution. As of mid-1980 about 62 per cent of the total population was in Java with little chance for immediate redistribution. In its 1983 projection the BPS

[6]World Bank, *World Development Report* (Washington, D.C.: Oxford University Press, 1983).

[7]*Proyeksi Penduduk*, p. 33.

[8]*World Development Report*, p. 184.

estimates that this percentage will decline only slightly and remain in the order of 60 per cent until 1990. Yet Java constitutes only a small part, namely 6.95 per cent, of the total area of Indonesia. Java's arable land is practically exhausted. Any production increase of the agricultural sector which in 1978 had a share as high as 57 per cent of Java's total employment, will have to originate from productivity increase. But productivity of land, in particular that of a highly fragmented one, cannot be improved infinitely. Hence, efforts must be made to generate alternative employment.

To some extent, the employment problem of Java may be alleviated if non-agricultural activities can absorb an increasing percentage of the growing labour force. In fact, there was a structural shift of Java's employment in the seventies. The share of agriculture in total employment did decline from 62 per cent in 1971 to about 57 per cent in 1978. However, there are obstacles to a rapid structural change. In most cases, structural change presupposes the introduction of new technology which in turn may lead to a temporary labour displacement. This dilemma has forced the government to refrain frequently from enforcing adjustment measures favouring instead the preservation of existing structure with all its deficiencies. In consequence the relative immobility of labour is reenforced, not to mention the shortage of education facilities which deter people from changing their professions.

Given the various obstacles to structural adjustment the transmigration, i.e. a migration from Java, Bali and the Sunda Islands to other thinly populated areas of Sumatra, Kalimantan, Sulawesi and Irian Jaya, appears to be a good way of reducing tension in Java's labour market on the one hand and of making use of uncultivated land in other islands on the other.

Certainly, a migration of this kind can never be a panacea for employment problems Indonesia is likely to face in the coming decades. Experiences in the seventies show that the number of transmigrants was modest despite its annual increase of about 27 per cent. Between 1969/1970 and 1981/1982 there were only 323,221 families[9] who left Java, Bali and the Sunda Islands under the transmigration scheme, whereas in the same period Java's population alone increased by no less than 18 million which is equivalent to 3.6 million families of average size. Therefore, transmigration cannot be a substitute for structural change. However, its importance cannot be overemphasized. Transmigration can support the structural change in two ways. *First,* it can slow down the speed of land fragmentation in populous areas and, thereby, make possible further improvement of land productivity. *Second,* it reduces the number of people who have to move to major cities for industrial employment without

[9]*Nota Keuangan,* p. 252.

the necessary skills. Moreover, an eventual success of the pioneers among the transmigrants and an improvement of transport facilities may attract people to transmigrate spontaneously, that is with a minimum financial support from the government.

Summing up this section, five points need to be emphasized. *First,* Indonesia's population would rise continuously, reaching a number of 222 million in the year 2000 and possibly 328 million in the year 2025. *Second,* labour force would increase accordingly, underlining the need for economic growth. *Third,* the distribution of the population would remain unfavourable. *Fourth,* new employment opportunities would largely depend on structural shift of the economy. *Fifth,* transmigration and family planning cannot be a substitute for structural change in generating new employment opportunities.

GROWTH OF INCOME

Changes in income constitute the second variable on which the future welfare of a society largely depends. Apart from minor welfare improvement which can emanate from a reallocation of existing income, a permanent struggle for better living conditions implies a need for moving to a higher level of income. This is particularly true for a low-income country. Yet the growth of income is difficult to predict. Although technical information on a country's resource endowment is available to some extent, it frequently turns out to be of little usefulness for an assessment of future development. As soon as the variability of prices enters into an analysis, the reliability of an estimate on future availability of resources will be seriously undermined. The irritant development in international commodity markets since 1950 tells that economic availability of resources may change overnight. This is not an argument against quantitative assessment of future income. The point is that the result of such a study should be interpreted in a cautious way.

In its two studies on future development of Indonesia's GDP the Institute for Economic and Social Research at the University of Indonesia (LPEM) has first estimated the value-added of the primary and secondary sectors as a starting point for the estimation of future GDP. Given the expected value-added of these two sectors, the value-added of the tertiary sector is estimated by using a simple regression. The expected total GDP is then obtained by adding the expected value-added of all sectors.[10]

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[10] *Laporan Proyek Perspektif Jangka Panjang Perekonomian Indonesia Tahun 2000* (Jakarta: Lembaga Penyelidikan Ekonomi dan Masyarakat Fakultas Ekonomi Universitas Indonesia, 1978). The revised edition of this study was published in 1981.

Based on this approach the revised version of the LPEM study has come to two variants of growth rate of future GDP, namely the lower and the higher variants. The present study uses the lower variant according to which the annual growth rate of Indonesia's per capita GDP would be in the order of 3.9 per cent between 1978 and 1985 and 3.6 per cent in the last fifteen years of the century. No mention has been made of the possible growth rate in the years beyond 2000. But in his study on Indonesia's energy planning Alan Strout estimates that the annual increase of the per capita GDP will further decline, ranging from 3.1 to 3.5 per cent in the first quarter of the next century.[11]

Other studies, including that of Prof. Sumitro Djojohadikusumo have come to growth rates which differ only slightly from that of the LPEM as can be seen from the Appendix of this paper. But for reasons of simplicity the lower variant of the LPEM estimates is used for the purpose of simulating the possible aggregate effects of changes in population and income on other economic variables. No doubt, this step is arbitrary. But proceeding this way seems to be more fruitful than allowing oneself to be involved in an endless debate on whether or not a specific study is to be preferred. Indeed the lower variant of the LPEM estimates appears to be too pessimistic in view of the fact that between 1971 and 1981 Indonesia's per capita GDP grew at an annual rate of 5.1 per cent.[12] The same variant, however, looks too optimistic if reference is made to the year 1982 when the world recession began to spread over the Indonesian economy and the growth rate of per capita GDP abruptly fell to less than one per cent.

Whether Indonesia will be able to attain or even surpass an annual increase of per capita GDP of 3.9 per cent in 1978-1985, of 3.6 per cent between 1985 and 2000 and of 3.1 per cent in the first quarter of the 21st century remains to be seen. The meagre growth rate in 1982 and 1983 and the prolonged depression of international oil market indicate that the Indonesian economy may grow only at a modest rate in the coming two or three years. But a capacity for higher growth rate exists. Measures consisting of the 1982 export promotion package, the rupiah devaluation early in 1983, and the deregulation of the banking system in June 1983 have also been taken by the government to promote structural adjustment. If these measures work as expected, the Indonesian economy may regain its vitality in the near future. The growth of per capita GDP estimated by the LPEM -- this growth rate is lower than the government target for the next Five Year Development Plan = may turn out to be a realistic one.

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[11]Alan M. Strout, 1980, *Energy Planning for Development in Indonesia: Macroeconomic Structure and Energy Demand; Indonesia to the Year 2000*, p. 16, Setauket, Energy/Development International.

[12]*World Development Report*, p. 148.

Given Indonesia's per capita GDP of Rp75,214.00 in 1981 (all figures in constant 1973 prices) and assuming a growth rate of one per cent for the difficult years 1982-1985, of 3.6 per cent between 1985-2000 and of 3.1 per cent in the first quarter of the next century, the expected Indonesia's per capita GDP will increase to Rp78,268.00 in 1985, Rp133,039.00 in the year 2000 and Rp244,992.00 in the year 2020.

FOOD: POSSIBLE SELF-SUFFICIENCY

Food consumption tends to increase progressively until a certain level of income is reached. As Indonesia's per capita GDP increased by 5.1 per cent between 1969 and 1981, rice consumption grew at an annual rate of 5.2 per cent resulting in an income elasticity of 1.01961. It follows that further increase in income will result among other things in higher rice consumption. But rice represents only a fraction, though by far the biggest one, of the total food consumption of an average Indonesian. Calorie, protein and fat are also gained from consumption of other crops, vegetables and meat. Accordingly, a more comprehensive picture of income-food relationship can be obtained first by converting each component of food consumption to a common unit.

A regression based on data available for the years 1969-1981 indicates a strong relationship between per capita income and calorie intake.[13] Assuming the constancy of the regression coefficients the daily per capita calorie intake may increase from its actual level of 2570 in 1980 to 2573 in 1985 and 3373 in the year 2000. However, as of 1980 the contribution of rice to total calorie intake of an average Indonesian was 51.94 per cent. Should this contribution remain unchanged, Indonesia's per capita rice consumption may increase to 172 kg in the year 2000. But this is a hypothetical level.

The saturated level of per capita rice consumption in Indonesia is assumed to be 170 kg/year[14] resulting in a total consumption of 37.9 million tons in the year 2000 or 66 per cent above the consumption level of 1981. This implies that domestic rice production has to increase by 2.8 per cent or more annually in order to be self-sufficient in the year 2000. Bearing in mind various programs

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[13]Calorie-income equation: $X = 1428.8691 + .0146127\ Y$ where X and Y stand for per capita caloric intake and per capita income at 1973 price respectively. $R^2 = .777899$; $T = 5.918149$.

Protein-income equation: $X = 39.2052 + .000111\ Y$, where X and Y stand for per capita protein intake and per capita income respectively. $R^2 = .458255$; $T = 2.908$.

Fat-income equation: $X = -10.4621 + .000841\ Y$, where X and Y stand for per capita fat intake and per capita income respectively. $R^2 = .915487$; $T = 10.4079$.

[14]This figure is calculated by Biro Pusat Statistik based on *Susenas* (Social and Economic National Survey) 1976 as cited by the World Bank in its Report No. 2093-IND, p. 121.

launched by the government which eventually led to an annual growth rate of rice production of no less than 5.1 per cent between 1969 and 1981, one can reasonably anticipate that in the year 2000 and beyond Indonesia's rice production may exceed the domestic demand, if only slightly.

Obviously, the production of other food crops must increase as well. Otherwise, people may consume rice beyond the assumed level of saturation in order to attain a certain level of calorie intake. To avoid such a development measures need to be taken aimed at a more diversified pattern of food supply and demand. In this connection, greater attention should be paid to price policy. If the administrated price of rice continues to be relatively low -- this has been made possible through fragmented subsidization on both the supply and demand sides -- the food diversification policy is deprived of its most effective mechanism.

The above analysis conveys an optimistic view on the future trend of Indonesia's food market. Despite population increase domestic production is expected to be able to meet domestic demands. Nevertheless, mention must be made of possible bottlenecks to avoid overconfidence. There is a strong relationship between food production and the use of fertilizer and pesticides. This is particularly important to be borne in mind in view of our assessment that, to an increasing extent, future expansion of Indonesia's food production has to originate from higher productivity. Experiences in the past years show that Indonesia's fertilizer production may increase rapidly in the coming years. Nonetheless, efforts should be made to improve the distribution network.

Development of high yielding seeds and improvement of land management are required as well. Further fragmentation of agricultural land which among other things means a disqualification from intensification programs should come to a halt. The smaller the parcel available to a farmer, the more difficult it will be for him to participate in any scheme of intensification program. Consequently, new arable land outside Java has to be opened up along with the enforcement of structural adjustment to make possible the absorption of new labour force.

ENERGY: URGENCY OF SUBSTITUTION

No doubt, Indonesia is in a relatively better position than many other developing countries because of its relative abundance of energy resources. The country is richly endowed with petroleum, natural gas, coal, hydropower, geothermal, wood and "non-traditional" energy resources such as solar and wind energy. Indeed, Indonesia is a net exporter of energy. Its main concern

in the coming decades is the availability of oil for export rather than the ability to meet increasing domestic demand. To make this point clear, it must be stressed that Indonesia's balance of payments is heavily dependent on oil export. Even under the condition of depressed oil market, oil's contribution to Indonesia's total export in 1982 was still no less than 66 per cent. Since the prospect for non-oil exports has improved only marginally, there is a need for maintaining a certain volume of oil for export. Consequently, efforts have to be made to enhance the substitution of alternative energy resources for oil in satisfying the increasing domestic energy demand. The possibility is there for doing so provided that the government is firm in enforcing an appropriate policy.

During the seventies the income elasticity of Indonesia's total energy consumption was highly irritant. A regression based on data available for this period shows an elasticity as high as 1.7, which means that each incremental unit of GDP was accompanied by an increase of no less than 1.7 unit in energy consumption.[15] In some years the elasticity was extremely high reaching, for example, 3.46 in 1978. But there were years where it declined to less than one.

The following is a possible explanation for the irritant development in Indonesia's energy consumption during the seventies. *First,* an S-Shape GDP-energy curve is observable in an economy which is moving from a very low base of industrialization. *Second,* Indonesia's economic policy in the seventies favoured the development of import substituting industries. Yet in its early stage import substitution is normally concentrated on finishing stage of production process. Import substitution tends to be extensive in its product coverage with little room for intensification. Accordingly, the average value-added of industrial activities is low. *Third,* for a long time the price of energy was kept low in terms of international price and production costs. Had there been no subsidization, Indonesia's energy consumption in the seventies might have shown a lower growth rate.

As regards future development one has to take into account various efforts made by the government to encourage a more efficient use of energy. These include the continuous adjustment of domestic price and promotion of non-oil energy such as coal and geothermal. In other words, there are reasons to expect a lower income elasticity of the energy consumption in the coming decades.[16]

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[15]The energy-income equation based on data available for 1969-1981: ln E = -33.79239 + 1.703529 ln Y, where E and Y stand for energy consumption and GDP at constant 1973 price respectively. R^2 = .980628; T = 23.597.

[16]Cf. Wijarso, "The Energy Game: An Indonesian Version," *The Indonesian Quarterly,* vol. V, no. 3 (July 1977), p. 34.

Given the expected rate of growth of per capita GDP as specified above and assuming that the energy elasticity of the GDP will remain in the order of 1.7 until 1985 but then decline to 1.5 in the subsequent fifteen years and to 1.3 in the first two decades of the 21st century, the future energy consumption can be estimated. It would increase from its actual level of nearly 37 million ton coal equivalent (TCE) in 1981 to 46 million TCE in 1985; 157 million TCE in the year 2000 and 568 million TCE in 2020. Given a conversion rate of 1 TCE = 5.05 barrel oil equivalent (BOE) and assuming further that the share of oil in the total energy consumption remains in the order of 81 per cent as it was in 1980, the estimated oil consumption will increase to 188 million BOE in 1985, 642 million BOE in the year 2000 and 2,323 million BOE in 2020. Notice that a more staggering figure will be obtained if the income elasticity of energy cannot be lowered from its high level during the seventies.

A rapid increase in oil consumption will have serious impact on Indonesia's balance of payments due to the heavy dependence on oil. Though the estimated recoverable resources of oil range from 53.8 to 120.2 billion barrels,[17] it seems to be extremely difficult to boost production to a level which is substantially higher than 1.7 million barrel a day, the highest level Indonesia has ever attained. Therefore, greater attention should be paid to the demand side of the energy market. Measures need to be taken to get down the income elasticity of energy to the lowest possible level. The government should adjust continuously the domestic oil price and to refrain from giving incentives to industries which use energy intensively but at the same time produce small value-added. Furthermore, a shift towards energy resources other than oil should be promoted. If the share of oil in total energy consumption can be reduced by, say, 10 per cent, a substantial amount of oil can be diverted to export. And the possibility of doing so is there.

Coal and natural gas are available in huge quantities. The use of geothermal and hydropower can also be extended and so can solar and wind energy, if in a more distant future.[18] What the country is lacking are technology and well-trained personnel along with an energy policy which is conducive to the stated objective of energy diversification. But these constraints are not insurmountable, provided that the government is determined to pursue a more diversified pattern of energy consumption.

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[17]Cf. M. Hadi Soesastro and Budi Sudarsono, "Minerals and Energy in Indonesia: Production, Consumption and Trade 1966-1981," (Jakarta, ASEAN-Australia Joint Research Project, Studies on Minerals and Energy Trade and Minerals Processing), p. 25.

[18]As regards the prospect for energy diversification. Cf. Wijarso, "Energy Game."

INVESTMENT AND ITS FINANCING

Investment is the key to future development. The higher the level of economic development, the greater will be the investment which is required to generate an additional unit of GDP. This phenomenon of increasing capital-output ratio has been observed in various economies including that of Indonesia. As between 1969 and 1981 Indonesia's GDP grew by 7.9 per cent annually, domestic capital formation showed an annual increase of 15.7 per cent or nearly twice that of total GDP.[19]

In the revised version of its study on future development of the Indonesian economy the LPEM estimates that the share of investment in Indonesia's GDP would range from 19.3 to 24.8 per cent in 1985 and from 20.4 to 27.8 per cent in the year 2000.[20] These figures are obtained by first computing the expected gross value-added of each sector of the economy. Using an estimated ICOR the amount of the necessary investment for each sector is then calculated. Through a simple summation the expected total investment is obtained. Given the estimated GDP of Rp12.926 billion in 1985 and Rp29,634 billion in the year 2000 (all figures in constant 1973 prices) the necessary investment would range from Rp2,495 to Rp3,206 billion in 1985 and from Rp6,045 to Rp8,238 billion in 2000.

It is difficult to assess to what extent the financing of this investment can rely on Indonesia's domestic saving. Obviously, domestic saving consists of government saving, which is the difference between domestic revenue and routine expenditure of the central government, and private saving. The government saving is heavily dependent on oil income, the so-called "Corporate Tax on Oil Companies." As of 1981/1982 the contribution of this revenue segment to total domestic revenue was 70.6 per cent. Any decline in oil price will severely affect the government finance as was apparent in 1983 when the oil price declined from US$34 to US$29/barrel and the government was forced to devalue the rupiah in order to maintain the rupiah value of the declined dollar value of oil revenue. On the other hand, an increase in oil price can substantially improve the government finance. But the prospect for such an increase is dim. Therefore, efforts must be made to mobilize alternative sources of revenue on the one hand and to promote efficiency of government expenditures on the other. In this connection, the proposed reform of the tax system should be mentioned as a gesture of the willingness of the government to adjust to changed conditions. By doing so the government can prevent an abrupt decline of its saving.

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[19] *Nota Keuangan*, p. 24.

[20] *Laporan Proyek*, p. 37.

Unlike government saving, which is highly dependent on a single variable, namely the price of petroleum, private saving is sensitive to various factors which are difficult to assess. They include the preference for hoarding, the level of both domestic and international interest rates in real terms, the ability of the money and capital market to differentiate investment assets according to different preferences of savers and, the stability of the rupiah *vis-à-vis* other currencies. In an economy where the free movement of capital is guaranteed, a minor change in one of these variables can induce an unprecedented movement of domestic saving. In other words, the future trend of private saving is less predictable than that of government saving. Nevertheless, observers of Indonesia's monetary policy generally agree that a considerable portion of the country's saving potential has remained untapped. A full mobilization of this potential is deemed difficult due to a high preference for hoarding, devaluation syndrome, lack of appropriate investment assets and the ambivalent attitude of the government as to the role of the private sector in money and capital market.

A major change in Indonesia's banking system occured in June 1983 when the government launched a partial deregulation aimed at a greater role of the private sector in financing economic development. Among the most important measures of this deregulation are: (a) the termination of the government's privilege to fix interest rate and credit ceiling; (b) the formation of interest rate and expansion of credit according to prevailing market conditions; (c) the attenuation of the privilege enjoyed so far by the state commercial banks which have a dominant role in Indonesia's banking system. In short, through this deregulation the country's banking business is expected to be more competitive. Financial institutions are expected to develop their own sources of financing in order to be able to stay in business.

Six months may be too short a period for this deregulation to work fully. Moreover, it was launched at a time when the recession hit the economy badly. In view of this the increase of saving in the first six months since the deregulation has appeared to be encouraging. Indeed, new problems arise when it turns out that demand for credits is slackening due to the economic slowdown leading to an overliquidity of the banking system. If the widening network of parafiscal institutions, particularly that of insurance companies, is taken into account, one can expect that private saving will continue to increase, meaning that saving gap will matter less than other kinds of bottleneck. And the government can and should make use of the potential of the private sector to generate saving. It can reduce its direct involvement in financing state enterprises and public utility companies by pushing the latter to look directly for funds in the capital market.

Obviously, investment financing cannot rely entirely on domestic saving. To a large extent, future development of the Indonesian economy will remain dependent on imported capital goods and intermediates. Import constituted about 38 per cent of total inputs, excluding machinery, used by Indonesian industry in 1981.[21] If depreciation of machinery and the royalty paid for foreign licenses are included, the import content of Indonesia's industrial production may turn out to be as high as 70 per cent or over.

There is no short cut to the reduction of this import dependence. Experience in other countries shows that the transition from the early stage of import substitution to the more sophisticated ones is difficult to accomplish. It takes time for the domestic demand for machinery to reach a minimum scale which eventually justifies domestic production. The same applies to the acquisition of skills and accumulation of capital. In other words, Indonesia is likely to remain a net importer of capital goods for at least two decades from now, though substitution is certainly possible to a certain degree. This leads the discussion to the external sector of the economy.

In the preceding section of this paper mention has been made of the high dependency of Indonesia's balance of payments on oil export. Yet the latest development in international oil market is, from Indonesia's point of view, not encouraging. The long expected recovery in major industrial countries has turned out to be weak and tended to concentrate on few sectors especially construction. Consequently, it has failed to push the demand for oil. Furthermore, the repeated increase of oil prices in the seventies led to a substantial decline in income elasticity of energy in major developed countries on the one hand and a larger supply of oil in international market on the other. Under these conditions the possibility for oil prices to increase in the near future is small. Indeed, the more likely scenario is that OPEC and other oil exporting countries would have difficultics in maintaining the present price of US$29 per barrel. This "gloomy" picture may continue until the early nineties, if not longer, underlining the need for restructuring Indonesia's export.

Theorctically, the possibility is there for Indonesia to diversify its export. The country's non-oil export is still dominated by unprocessed commodities consisting of wood, rubber, coffee, tea, palm oil, tobacco, tin and copper. Hence, there is considerable room for increasing export through further processing of these commodities. Besides, the success of the Thais in exporting tropical fruits and vegetables in a considerable volume suggests that the saturation of international market is only partial in nature. Opportunity is still there for late comers like Indonesia to extend its export palette by introducing new export commodities.

[21] Author's calculation based on 1981 Industrial Survey of Biro Pusat Statistik.

However, nothing is new in this idea of export diversification. The tremendous obstacles to its implementation are also wellknown. It is not realistic to expect that these obstacles can be removed in the near future.

Given these difficulties, Indonesia's non-oil export is expected to grow only slightly in the coming years. Since, for the sake of economic growth, a certain level of import needs to be maintained,[22] Indonesia is likely to face difficulties in its current account balance. This postulates the need for foreign financing in the form of both direct investment and external borrowing.

Obviously, there are various limitations to external financing. Though some of them have remained controversial, the fact is that any inflow of direct foreign investment and borrowed funds will induce a capital outflow in due course, the financing of which is dependent on export earnings. In the long-run, therefore, foreign exchange has to originate from export. And the possibility for Indonesia to increase its non-oil exports is not as bad as the present trend might suggest. What the country badly needs is a consistent policy of export diversification.

Measures need to be taken to promote the involvement of the private sector in raw-material processing industries where so far state enterprises, many of which are highly inefficient, have an uncontestable dominance. These measures include a relaxation, if not a liberalization, of the loosely defined policy as regards development projects which are reserved for state enterprises. Changes are also necessary in the boundless jungle of government regulations relating to production and distribution including exportation. Indonesia can improve its international competitiveness if these regulations which have become a fertile land for rent seeking activities and, thereby, impaired the country's ability to compete internationally, can be simplified. This must be within government's reach whose dependence on oil in generating its revenue and foreign exchange earnings has turned out to be precarious.

FACILITATING STRUCTURAL ADJUSTMENT

The preceding sections of this paper has described where Indonesia wants to be in the year 2000 and 2020 and which challenges the country is likely to face in its journey towards the expected future. In order to be able to meet these challenges, various adjustments must be made. Indeed, the main message conveyed by this paper is the urgency of structural adjustment. If properly implemented, it can transform the huge potential of the country into a real economic strength.

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[22]Obviously, financing of import is not the only motive for export.

For reasons relating to employment and accelerated economic development, the dependence of the economy on the primary sector should further decline. True, the Indonesian economy has witnessed a substantial structural change in the last decade. The share of the primary sector in GDP steadily declined from 56.3 per cent in 1969 to 38.4 per cent in 1981, whereas that of the secondary and tertiary sector increased to 21.7 and 39.9 per cent respectively.[23] These changes are, according to Strout, close to the "norms" once anticipated by Chenery and Syrquin. Nevertheless, further adjustment is necessary. And the LPEM estimates that the share of the primary sector will further decline to less than 30 per cent in the year 2000. On the other hand, the share of the secondary and tertiary sector will increase to 26 per cent and 44.9 per cent respectively.[24]

Changes are also needed in respect to food and energy consumption, government finance and trade. A huge amount of investment will be needed, along with well trained labour and a growing number of entrepreneurs who are willing to bear risks emanating from any structural shift. Meanwhile, conflicts may arise between various competing interest groups the management of which has usually turned out to be difficult.

There is an apparent conflict between the "modern" segment and the "traditional" one within each sector of the economy. Expansion of the modern segment is generally perceived as a threat by the traditional sector which in turn consists of countless small establishments with low productivity. A similar conflict may arise or heighten between companies' management and labour organizations due to differing views on the economies or diseconomies of structural adjustment. The latter usually requires the introduction of new technology which, at least temporarily, is accompanied by decreasing demand for labour.

Bearing in mind this potential for conflict, the government has frequently become indecisive as regards structural adjustment. Entrance to various industrial branches is highly restricted lest the increasing competition may force the small establishments out of business. The recent history of Indonesia's agriculture, fishery, manufacturing and banking is characterized by this dilemma. Fragmented efforts have been made to bring about a mutually beneficial link between the two groups of establishment. The record, however, is not encouraging. The distrust of big business establishments continue to exist, especially of those where the majority of capital or management is in the hands of the Chinese. Given this distrust the "Leviathan" can easily legitimize its intervention in the business sector irrespective of worsening inefficiency.

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[23] *Nota Keuangan*, p. 21.

[24] *Laporan Proyek*, p. 23.

It is difficult to assess to what extent this hesitant attitude has retarded economic development. In the past, this issue has received little attention because of the ability of the government to maintain a relatively high economic growth thanks to a large inflow of oil money and borrowed funds. But conditions have changed considerably and the structural weaknesses of the economy have become apparent immediately after the price of oil fell and the cost of external borrowing rapidly increased. Accordingly, the need for greater participation of the private sector in the country's economic development is more pressing than ever before.

To some extent, the government has indicated its willingness to facilitate a wider involvement of the private sector in the process of economic development. Various forms of deregulation have been introduced as mentioned earlier in this paper. However, much remains to be done as regards the implementation of these adjustment measures.

Certainly, it is not easy for the government to take a clear-cut position with respect to the role the private sector should play in the future. Some have mistaken an increasing role of the private sector for a lean towards capitalistic development. And the significant role of the external sector in Indonesia's economic development has also been critized as a drive to a "lumpen development" from which, according to the "dependencia school," an economy which is integrated to the world economy, can not escape. In short, there is a criticism against greater participation of the private sector in the country's economic management. This criticism has occasionally forced the government to make compromise which impedes the full deployment of the private sector or a certain segment thereof. To avoid such an unfavourable condition efforts should be made to strengthen the linkage between economic development and social development.

As income increases the nature of social relationship may change. The higher the average wage within an economy, the more pronounced will be the demand for qualitative changes in industrial relation. Participation, both direct and indirect, at different levels of company's management may turn out to be more interesting to labour organization than a further increase of pecuniary incentives. The history of industrial relations in developed countries shows that preferences may change fundamentally as income rises. This issue may appear to be of little relevance in view of the present stage of Indonesia's economic development. The point, however, is that social peace is a *conditio sine qua non* of economic development. No matter what potential a country has at its disposal, its transformation into a real economic strength will be impossible without a genuine social peace.

In the past years, tremendous efforts have been made by the government to promote social peace within the country. Through the establishment of mini-

mum and maximum wages, differentiated according to the costs of living in various regions, the government has tried to prevent a widening gap between different income groups. Consumption of various products, the so-called essential goods such as rice, flour, kerosene, and fertilizer is subsidized. And progress has also been made in low-cost housing, village development, educational program, social insurance and other fields of social development. Indeed, a big slice of the government expenditure has been devoted to the development of projects which, at least partially, are socially motivated. Yet the efficiency of this social network is low. Some of the measures have failed to bring about the intended social effects, benefitting instead the higher-income groups. Hence, adjustment has to be made to improve this efficiency and to strengthen the link between social programs and economic development. Use should be made of the possibility of the social system to perform its recycling function within an economy.

Indonesia's future development depends to a large extent on the development of the world economy which in turn is heavily dependent on the development in the industrial countries. We have an interest in a free access to the markets of these countries, which in turn are dependent on access to our resources. The bitter experience in the last three years has proved how strong this interrelationship has been. Unfortunately, the recent history of the world economy is full of events which by no means are conducive to a development strategy which assumes to openness of the world economy. Since the seventies, the protectionist trade policy of major industrial countries has tended to hit developing countries badly. And the prospect for immediate change is yet not in sight. Efforts have, therefore, to be made first to arrest protectionism at its existing level and then proceed to its liberalization. If this adjustment, together with those mentioned earlier, can take place, Indonesia can enter the next decades with better economic achievements than the present situation may warrant.

Appendix

ALTERNATIVE PROJECTION ON THE GROWTH RATE OF INDONESIA'S PER CAPITA GDP, IN PER CENT

	Lower Variant	Higher Variant	Years Covered
Sumitro (1978)	4.47	5.01	1973-2000
LPEM (1980)	3.90	4.90	1978-1985
LPEM (1980)	3.60	5.10	1985-2000
Strout (1979)	3.10	3.50	2000-2025
Strout (1979)	2.00	2.30	2025-2050
World Bank (1979)	———4.54———		1973-1990
Ridker and Watson (1980)	———5.99———		1980-1985
Ridker and Watson (1980)	———5.11———		1985-2000
Ridker and Watson (1980)	———3.66———		2000-2025

Coal and Peat in Indonesia: Potentials and Prospects

John A. KATILI

HISTORY

Unlike natural gas, the coal industry in Indonesia dates back to 1892 with the commencement of the mining of the Ombilin coal in Central Sumatra. A quarter of a century later Bukit Asam Mine in South Sumatra was developed. The Ombilin mine reached its peak production of 665,000 tons in 1931 while Bukit Asam attained its highest production of 863,706 tons in 1941.

The newly independent Republic of Indonesia started the rehabilitation of the coal mines after hostilities ceased in 1950, but encountered numerous problems mainly due to competition from cheap oil.

The re-emergence of coal as an important source of energy in Indonesia dates back to 1976 when a Presidential Decree was issued to make maximum use of coal for new thermal power plants and other heat generating industries. During the same year the World Bank was asked to assist the country in the rehabilitation and expansion of the Bukit Asam Coal Mines.

Between 1975-1978 an important discovery of bituminous coal was made by Shell in South Sumatra amounting to about 15 billion tons. Since 1979 the Government has been engaged in the rehabilitation of the two important mines, namely Bukit Asam and Ombilin, and in negotiations with foreign contractors to develop coal in eastern Kalimantan.

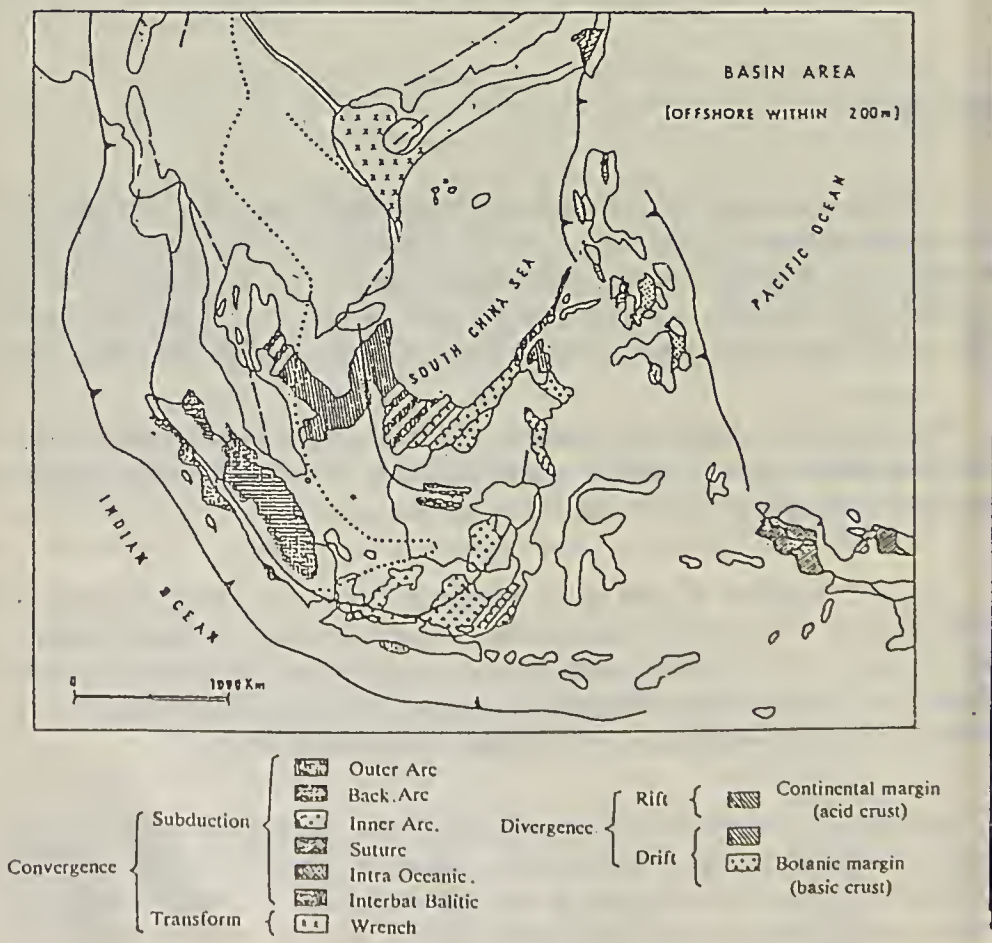
Paper presented at the *Indo Energy 1983 Conference*, in Jakarta, 21-23 June 1983. Prof. J.A. Katili is Director General of General Mining, Department of Mining and Energy.

COAL POTENTIALS AND PROSPECTS

Broadly speaking Southeast Asia can be divided into three main areas; two of continental crustal affinities (Sundaland-Indochina, and New Guinea) and the oceanic arc systems (Phillipines and Sulawesi). Southeast Asia has been at the core of an accreting subduction system since at least the late Paleozoic. The subduction zones have moved systematically away from the continents towards the ocean; growth however, has been asymmetric to the north and northeast.

Figure 1

TERTIARY BASINS IN SOUTHEAST ASIA



A reorganization of the subduction system occurred in Late Cretaceous - Early Tertiary time. During this interval active subduction ceased, namely in Northwest Kalimantan and the Natuna Arc. In the southeast, subduction

COAL DEPOSITS IN WESTERN INDONESIA

(Koesoemadinata et al. 1978)

migrated from East to Southeast Kalimantan to its present position south of Java. This change in configuration of the subduction systems is considered to be very important in relation to the tectonic environment of the present oil and coal basins (Figure 1).

The Tertiary basin of Sumatra has been classified as a back arc basin, the Java and Southeast Kalimantan basins have been included in inner arc basins while the northwest Baram Delta and Kutei Basin has been included in oceanic margin basins. The West Irian basins have been classified as suture basins. In western Indonesia the coal basins are subdivided according to the tectonic development into Paleogene intramontaine basins and into Neogene back-deep basins which are partially superimposed on Paleogene intramontaine basins (Figure 2).

Coal deposits are found in the non-marine sediments of the premarine transgression in the intramontaine basins. In the Neogene back deep basins and in the Neogene deltaic basins of Eastern Kalimantan they are found in the regressive sequence. Prospective reserves with thick, flat seams of good quality steam coal are repeatedly available in vast quantities in the southeastern region of East Kalimantan.

Coal in the intramontaine basins, although better ameliorated, is limited in extent (Ombilin basin - Central Sumatra) while that in the regressive sequence tends to be extensively distributed. However the coal is still young and lignitic in nature unless ameliorated locally by andesitic intrusion (Bukit Asam - South Sumatra).

The Tertiary basins of Irian Jaya are characterized by clastic deposition which took place only in the regressive phase. Coal deposits are almost exclusively in the Pliocene regressive sequence, especially in the Salawati and Bintuni basins. The results of the present investigations do not yet warrant a precise calculation of our coal reserves.

A conservative estimate of the Indonesian coal reserves is depicted in Table 1.

Coal production in the past years of 1979, 1980, 1981 has shown a steady though modest increase. Production in 1980 amounted to 303,989 tons, up by 9.12 per cent compared to the 1979 production of 278,588 tons. In 1981 production was 367,200 tons while in 1982 the figure reached 456,500 tons or 24.3 per cent above the 1981 production.

Table 1

TOTAL COAL RESERVES ESTIMATES (in metric tons)

Region	Hard Coal	Lignite
1. West and Central Sumatra	200,000,000 to 300,000,000	?
2. South Sumatra (Bukit Asam, Bangko, Bukit Kandi, etc.)	200,000,000 to 250,000,000	In excess of 15,000,000,000
3. Northeastern Kalimantan	100,000,000 to 150,000,000	?
4. East Kalimantan	100,000,000 to 150,000,000	500,000,000
5. Southern Kalimantan (incl. Pulau Laut)	150,000,000	Considerable

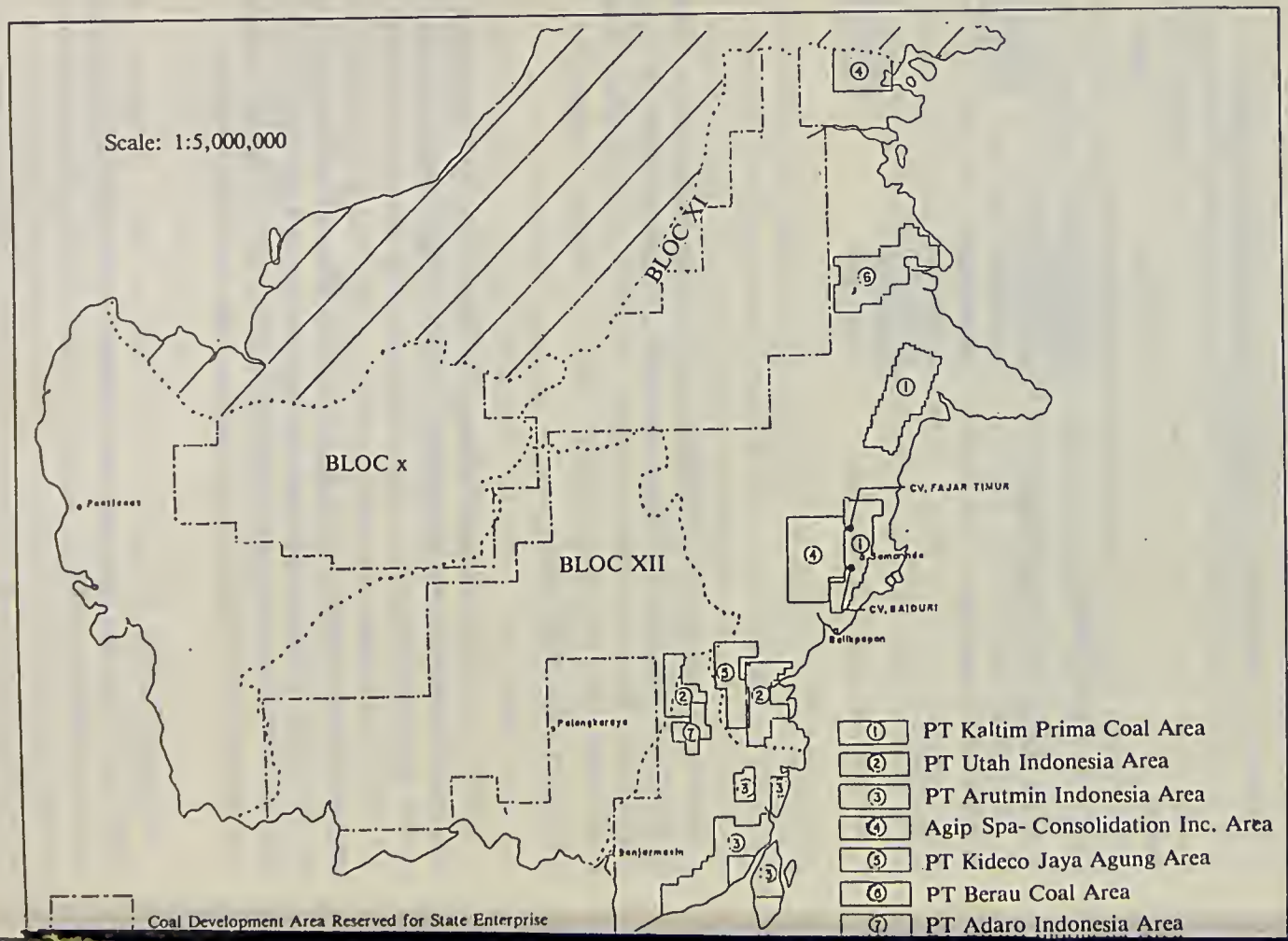
Except for the coal of anthrasitic grade, which is exported to Malaysia, Singapore, Thailand and Taiwan, most of the coal produced is consumed domestically. Export of coal in the years 1979, 1980 and 1981 was respectively 51,678 tons, 100,218 tons and 126,388 tons, an increase of respectively 93.92 per cent and 26.06 per cent.

In line with the Government's Energy Policy to develop the potential coal reserves to their optimum in Indonesia, a limited international tender was held in 1978 inviting companies to explore and eventually develop 8 blocks in East- and South-Kalimantan with coal potentials, on the basis of production sharing contract with the State Coal Mining Company (Figure 3). The ingredients of the production sharing contract on coal can be seen in Appendix 1. Under this arrangement seven contractors were granted the rights to explore and exploit the coal resources in separate areas of East- and South-Kalimantan.

Meanwhile within the years of 1979, 1980 and 1981, under the Government's coal inventory program, the Directorate of Mineral Resources also conducted detailed exploration schemes including drilling activities in the areas of South Sumatra, West Sumatra and East Kalimantan. Of importance is the formation of the Bukit Asam State Coal Mining Company in early 1981. The establishment called for the separate management of the Bukit Asam South Sumatra coal mining operation from the State Coal Mining Company, to guarantee the long-term coal sale's supply commitment from the Bukit Asam South Sumatra coal area to the Suralaya, West Java, Thermal Power Plant.

Figure 3

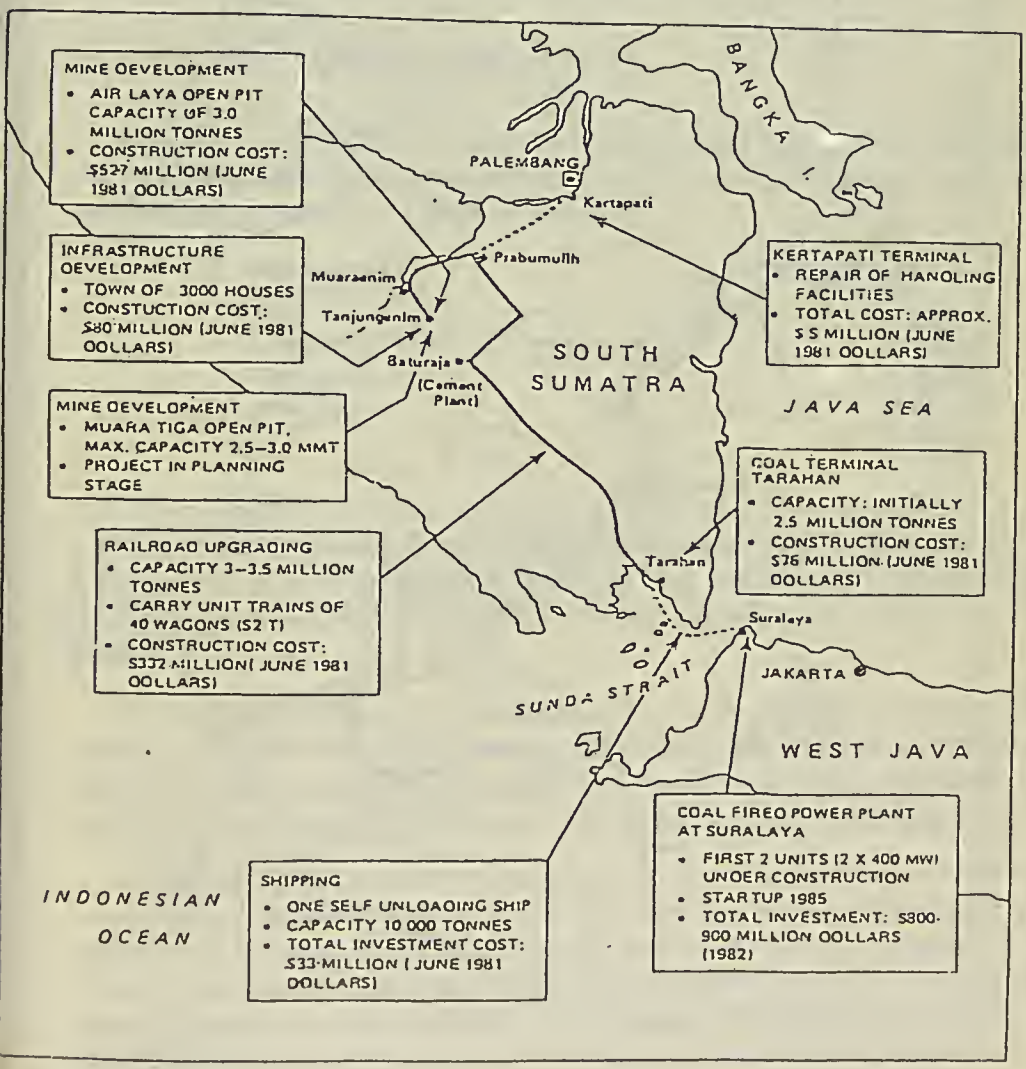
CONTRACTOR'S WORKING AREA OF PN TAMBANG BATUBARA IN KALIMANTAN



The supply covers an initial amount of 2.5 million ton annual coal delivery for the power generation of about 2 x 400 megawatt (Figure 4).

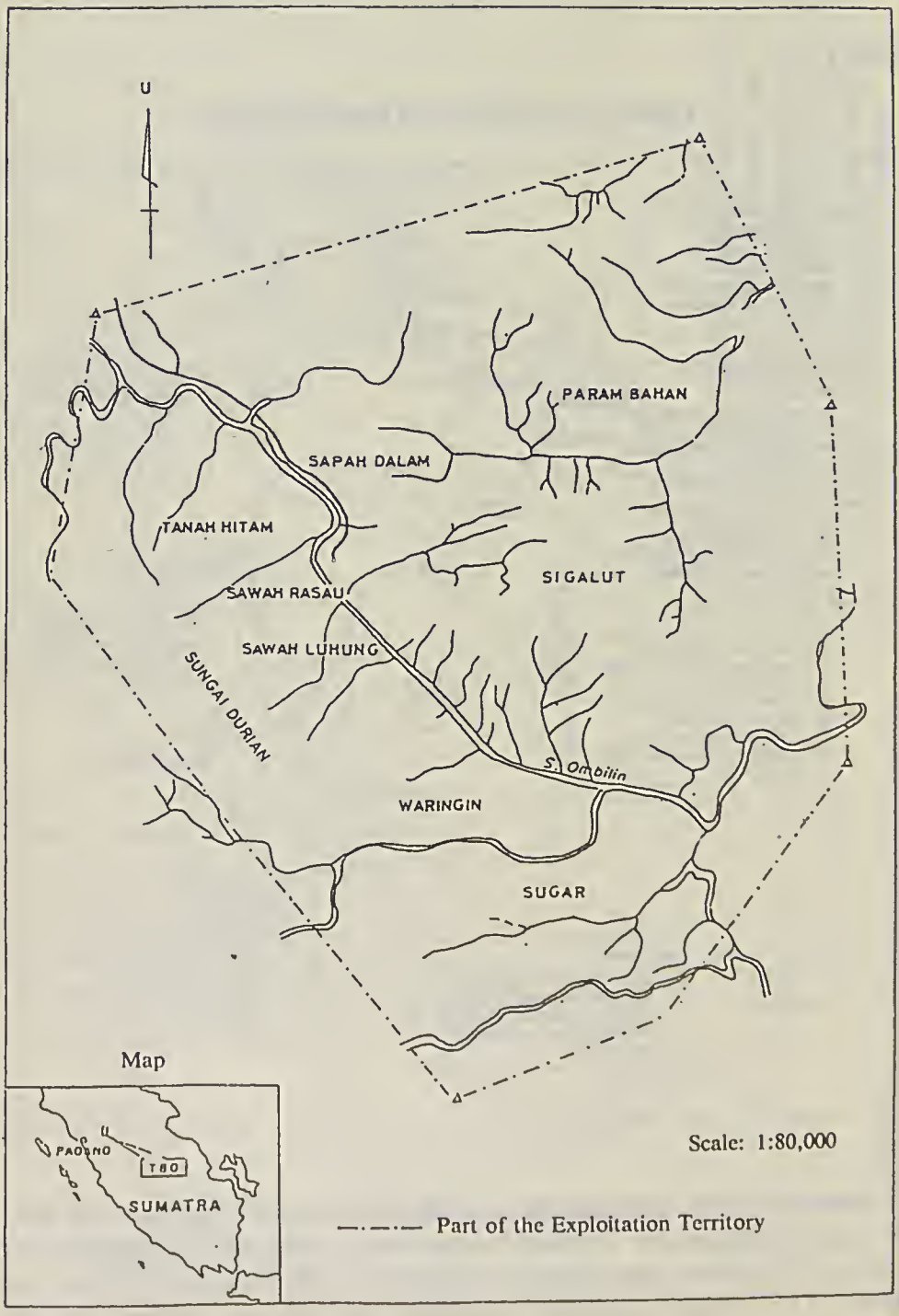
Figure 4

PROJECTS UNDERWAY IN SOUTH SUMATRA



The Bukit Asam mine project is divided into several subprojects, of which the most important are: (1) Bukit Asam mine subproject; (2) townsite subproject; (3) railway transportation subproject; (4) Tarahan Terminal subproject; (5) Kertapati terminal subproject; and (6) sea transporation subproject.

Figure 5


U
PARAM BAHAN
SAPAH DALAM
TANAH HITAM
SIGALUT
SAWAH RASAU
SAWAH LUHUNG
SUNGAI DURIAN
S. Ombilin
WARINGIN
SUGAR
Map
PADANG
TBO
SUMATRA
Scale: 1:80,000
Part of the Exploitation Territory

A crash program to accelerate the mining of the Ombilin coal was set up and comprises threc stages. The first stage has the objective to increase production to 750,000 tons in 1985, while stages II and III will be concerned with the opening of underground mines in Waringin and new mines in Sugar and Sigalut (Figure 5). It is anticipated that by the year 1990, production in these mines will reach 1.5 million tons of coal annually.

PEAT POTENTIALS AND PROSPECTS

Indonesia is estimated to have the fourth largest peat reserve in the world. An estimate suggests that peatlands cover about 17 million ha (Figure 6) and are distributed over the islands as follows:

Islands	Areas is hectares
Java	25,000
Sumatra	6,781,000
Kalimantan	6,469,000
Irian Jaya	3,625,000
	16,900,000

All these figures need some additional qualification if an estimate of the genuine peat soils, containing more than 65 per cent organic matter down to one meter or more, is to be made. Indonesian peat resources are largely tropical lowland peats which are different from the upland peats of the temperate latitudes.

All the forms of energy being developed in Indonesia to date rely on high capital, high technology, low labour input industries. Peat can be developed this way, but it can also be developed on a small scale basis at moderate cost, employing low technology industries, which have high labour requirements.

In the past there has been a tendency to think of the peatlands of Indonesia as unusable and they are generally avoided in the Indonesian transmigration schemes. If the peat could be harvested from these areas, a valuable energy source would be developed and it is possible that the reclaimed land could be used for agricultural purposes by transmigrants. To date little attention has been directed to the exploitation of these large peat reserves and associated land reclamation schemes.

The main advantages of peat-based fuel compared with oil, gas and coal are:

- Peat winning is a very labour intensive task and thereforc crcatcs many ncw jobs (e.g. in Ireland where production is fully mechanizcd still 65 per ccnt of production costs are labour costs);

Figure 6

PEAT LANDS OF INDONESIA

- As peat production can be done in a very simple manner, investment costs are low, as expensive and sophisticated equipment is not essential;
- After removing peat the remaining waste land can be reclaimed for agricultural and/or forestry purposes;
- If peat is substituted for oil, gas or coal, foreign exchange can be earned by selling the freed up fuels in world markets.

In Indonesia peatland is mainly located in East Sumatra and South Kalimantan. However, the demand for cheap fuel (as a substitute for fuel-wood and kerosene) is mainly on Java, where the highest population concentration occurs. As peat is a very bulky material with low volume weight, thus restricting the economic transport distance, and as in Indonesia inter island transportation costs are high, peat should initially be developed locally and preferentially be used as source fuel for electricity generation.

There are, however, also simple processes available for upgrading raw peat into briquettes, pellets or charcoal and thereby extending the economic transport distance considerably. In this form peat could possibly be transported to Java and be competitive with other fuels.

Although there is already considerable know-how available on peat production and upgrading in the northern temperature latitude hardly any work has been done on lowland peat in tropical countries. As tropical peatland is different in consistency, climatical conditions, drainageability etc. special know-how has to be developed before starting any large scale peat production scheme.

A masterplan for creating the necessary know-how to develop peat for energy purposes in Indonesia could be done in three main stages namely: (1) selection of suitable peat areas; (2) comprehensive survey of selected areas; and (3) establishing a pilot scheme in one of the selected areas.

CONCLUSION

The geological environment suggests that Indonesia still harbours vast undiscovered coal deposits. Large portions of North Sumatra, western Kalimantan and Irian Jaya have not yet been explored in detail. More detailed investigations in the deeper part of the Kalimantan and West Irian basins might reveal the occurrence of coking coal in these regions.

The Bukit Asam Coal Company will develop its mine in South Sumatra to a production of 750,000 tons in 1985 which may be increased to 3,500,000 tons

by 1990. This development is necessary to meet the demand for coal from the electric power sector especially in the densely populated area of Java. It is also expected that by 1990, the production of coal in Kalimantan will reach 10,000,000 tons annually so that by that time domestic consumption will be fully supplied by the Sumatra and Kalimantan coal mines.

Problems to be encountered are numerous. Large investment, high operation cost, low ROR, lack of experienced coal resources scientists and engineers, coal handling and coal transportation specialists, coal marketing experts, are constraints that could hamper or slow down the large scale coal development in Indonesia.

A complicated infrastructure characterizes most of the large coal development schemes. The rapid development of coal requires various big infrastructures such as railways, terminals, and harbours. Until now the development of infrastructure associated with mining lies within the responsibility of the companies themselves. Questions have been raised as to whether the Government could in some way assist in the development of the infrastructure in which Government participation could be taken up as shares in the coal company.

Most coal deposits in Indonesia occur outside Java, which is the biggest consumer of energy. Power generated in the South Sumatra coal fields could be transmitted to Java through submarine cables. However, this is expensive and certain constraints must be taken into consideration. It is therefore necessary to study the land and sea transportation of coal very carefully in order to move coal economically from the outer islands to the densely populated areas of Java.

It is anticipated that between 1985 and 1987 coal to be consumed by the electricity generating plants will increase in such a way that domestic supply could not meet the rising demands. This is not due to the scarcity of coal as a resource but to a possible delayed schedule in completing the coal chain from its source in Sumatra to the users in Java. After 1987 a dramatic rise in coal production is expected so that by that time Indonesia will be self sufficient in supplying coal to its power generating plant.

Lack of coordination between different government and private agencies and unnecessary bureaucracy could pose main problems in carrying out the "coal chain" process such as the Bukit Asam-Suralaya project.

Indonesia is estimated to have the fourth largest peat reserves in the world. A plan to create the necessary know-how for developing peat as a source of energy is being developed which will lead to the selection of suitable peat areas and the establishment of a pilot scheme in one of the selected areas.

Appendix 1

MAJOR POINTS OF TERMS AND CONDITIONS
(for production sharing contract in coal)

1. Unconditional guaranteed share of coal in kind 13.5 per cent annual production in favour of the Government of Indonesia.
2. The Contractor has to form Indonesian Limited Liabilities (PT) prior to the commencement of the Production period.
3. Corporated income tax 35 per cent during the first ten years of the Production Period, and 45 per cent thereafter, witholding tax on interest, royalty and divident 50 per cent of prevailing rate.
4. Annual lump-sum payment for regional development contribution shall be US$100,000.
5. Ownership of plant and equipment shall be the property of the Government when landed at the Indonesian port or puchased locally.
6. At the request of the State Coal Enterprise the Contractor shall market all parts of its coal within Indonesia as required by the Entreprise based on the terms and conditions as mutually agreed, provided that it may do so without impairing any of Contractor's outstanding obligations.
7. The Contractor shall offer its shares for sale or issue shares to the Government of Indonesia, Indonesian nationals and Indonesian companies controlled by indigenous people.
8. Import duties for equipment will be exempted.
9. Investment allowance is 20 per cent and claimed in four equal instalments of 5 per cent each year, deducted directly from the taxable income.

ASEAN Regionalism and the Role of USA

J. Soedjati DJIWANDONO

I

A major consideration for the establishment of ASEAN, is that its member states "are determined to ensure their stability and security from external interference in any form or manifestation in order to preserve their national identities in accordance with the ideals and aspirations of their peoples."[1] Indeed, the Kuala Lumpur Declaration signed by the ASEAN Foreign Ministers on 27 November 1971 was an attempt to give expression to that very same idea. Reiterating their commitment to that principle as stated in the Bangkok Declaration, and "recognizing the right of every state, large or small, to lead its national existence free from outside interference in its internal affairs as this interference will adversely affect its freedom, independence and integrity," the Declaration states that the member states of ASEAN "are determined to exert initially necessary efforts to secure the recognition of, and respect for, Southeast Asia as a Zone of Peace, Freedom and Neutrality, free from any form or manner of interference by outside Powers."

That rejection of outside interference as a major preoccupation of the ASEAN member states is reflected in the reaffirmation of that same principle as well as the idea of Southeast Asia as a Zone of Peace, Freedom and

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This article is adapted from "ASEAN Regionalism: Indonesian Perspectives on the Role of the U.S. and Japan," a paper presented at the Conference on *Trilateralism in Asia: U.S.-Japan-ASEAN Relations,* held in Kuala Lumpur, on 19 December 1983, sponsored by the Department of History, University of Malaya. J. Soedjati Djiwandono, our Editor, is also Head of the Department of International Relations, CSIS; holds a Ph.D. from the London School of Economics and Political Science.

[1]Quotations from ASEAN documents are taken from *ASEAN Documents* (Jakarta: ASEAN Secretariat, Department of Foreign Affairs, n.d.).

Neutrality (ZOPFAN) as its manifestation in both the Declaration of ASEAN Concord and the Treaty of Amity and Cooperation signed at the Bali Summit in 1976. This constant concern with external interference is to be understood in the light of the region's experience in the years preceding as well as accompanying the establishment of ASEAN in 1967.

In the first place, the establishment of ASEAN at the initiative of Indonesia must be seen against the background of Indonesia's policy of confrontation against Malaysia.[2] The Indonesia-Malaysia confrontation was an intra-regional conflict that had invited the increasing presence and role of great powers in the region. It had thereby provided an opportunity for great power intervention, either directly, as in the case of Great Britain, which came to the aid of Malaysia, or less directly as in the case of the Soviet Union, then supplanted by the People's Republic of China, which came to the aid of Indonesia. Indeed, neither the Soviet Union nor the PRC was directly involved in the Indonesia-Malaysia conflict. Yet it was certainly the conflict situation, not only in terms of the intra-regional conflict, but also in terms of tension among the socio-political forces in Indonesia not unrelated to the former, which had made room for the alleged Chinese involvement in the abortive *coup* attempt by the Indonesian Communist Party in 1965.

In the second place, even with the cessation of hostilities between Indonesia and Malaysia, which had meant the end of outside intervention and led to the establishment of ASEAN, the Vietnam war was still raging. Though outside ASEAN proper, it was another intra-regional conflict in Southeast Asia that had invited outside intervention, directly in the case of the United States, indirectly in the case of the Soviet Union and the PRC. There is little doubt that the continuation and escalation of hostilities in Vietnam were consequent upon the involvement and intervention of those mutually antagonistic great powers in the conflict, which had developed in part into a projection of their own antagonism. And given the continued antagonism between the great powers and the proximity of ASEAN member nations to Vietnam, it is not difficult to understand ASEAN's concern over the continued involvement and intervention of the great powers in the conflict, for fear of its escalation into a great-power confrontation and of being eventually embroiled in such a confrontation.

II

The withdrawal of the United States and the end of the war in Vietnam seemed, for a time, to augur well for Southeast Asia in the sense that they

[2]See J. Soedjati Djiwandono, "The Political and Security Aspects of ASEAN: Its Principal Achievements," *The Indonesian Quarterly*, vol. XI, no. 3 (1983), pp. 19-20.

marked the end of a long period of outside intervention in the region. Moreover, the end of hostilities in Indochina seemed to promise a prospect of freedom from any further interference in Southeast Asia by the great powers, which, in the absence of conflicts, would find little room for engaging themselves in such activities. Such a prospect would bring the region of Southeast Asia closer to the realization of the idea of ZOPFAN. The Southeast Asian nations then seemed to have hope for long years ahead of peaceful development towards progress and prosperity.

But, alas, if anyone should have nurtured such a hope, it was shortly to be frustrated by the outbreak of new hostilities in the region before the end of the decade. The Kampuchean conflict, highlighted by the Vietnamese invasion on Kampuchea near the end of 1978, and the extent of which few seemed to have foreseen in view of the ascendancy of the communist ideology commonly shared by the countries of Indochina, has brought back the spectre of outside interference so long feared by ASEAN. The conflict did, almost immediately afterwards, prompt the Chinese attack on Vietnam. And this, in turn, more than even the Vietnam war, has invited the Soviet Union to obtain and maintain a foothold in the region, especially through its access to military facilities at Cam Rahn Bay and Da Nang in Vietnam. The Kampuchean conflict seems to have thrown in to winds the principle of ZOPFAN.

Indeed, as far as ASEAN regionalism is concerned, developments in the Indochinese peninsula in the past few years have not turned out to be without merits. In spite of the occasional strain and tension that those developments have created among the ASEAN member countries in their search for a common and appropriate response,[3] they have at the same time helped promote and develop a trend towards the institutionalization of consultations among ASEAN member nations in their attempts to iron out differences and to develop common stands on various problems that affect their national interests. In so doing, they have tended to keep their own potential intra-regional conflicts in the background, and hopefully for a long time to come to keep them from developing into violent conflicts, if not actually settling them peacefully in the near future. It can thus be argued that a trend has developed within ASEAN towards the emergence of some kind of a security community.[4]

To the extent that ASEAN has been successful in avoiding any further use or threat of force or violence in the settlement of intra-regional conflicts,

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[3]See Russel H. Fifield, "ASEAN: The Perils of Viability," *Contemporary Southeast Asia*, vol. 2/3 (December 1980), pp. 200-204.

[4]Djiwandono, "Political and Security Aspects," pp. 24-26; see also Donald E. Weatherbee, "ASEAN Regionalism: The Salient Dimension," a paper presented at the *Second U.S.-ASEAN Conference on Economic Development and Political Stability: Alternative Scenarios for the 1980's* (Berkeley, California, May 2-4, 1983).

ASEAN regionalism has been a success. And it will also be to that same extent that the success or failure of ASEAN regionalism is mainly to be assessed in future. This will be in keeping with the spirit of the Declaration of ASEAN Concord, in which the member states undertake to "rely exclusively on peaceful processes in the settlement of intra-regional differences," and of the Treaty of Amity and Cooperation, which reaffirms the principles of "settlement of differences or disputes by peaceful means" and the "renunciation of the threat or use of force" among the fundamental principles that shall guide the relations among the ASEAN member states.

That seems to be the fundamental idea underlying the establishment of ASEAN and thus the essence of ASEAN regionalism. It is within that basic framework that ASEAN can ensure the security of its member countries from external interference. Against the background of the ultimately peaceful settlement of the Indonesia-Malaysia conflict referred to above, the establishment of ASEAN was to serve as a guarantee against the recurrence of the conflict in the future. It was an ingenious framework of compromise between what had previously seemed to be irreconcileable national interests of the two states. Within and through ASEAN, Malaysia, and by the same token the rest of the member states, would be able to "tame" Indonesia, and to make it "less dangerous." At the same time, it was to be within and through ASEAN that Indonesia would be able to realize its possible ambition for a status of primacy, a first among equals, if only by its sheer size in terms of its territory, population and natural resources, without recourse to confrontation. Only with the basis of ASEAN firmly established can the ASEAN member states carry out their commonly shared "primary responsibility," as stated in the Bangkok Declaration, "for strengthening the economic and social stability of the region and ensuring their peaceful and progressive national development, ..."

As mentioned before, the Kampuchean conflict has brought back the spectre of external interference, a constant preoccupation of ASEAN. The ASEAN idea of ZOPFAN, which is to give that preoccupation its fullest expression, is definitely an attempt to project ASEAN's rejection of external interference beyond its own boundary and onto the Southeast Asian region as a whole. And the Kampuchean conflict, which has served as a stark reminder of the danger of external interference, has understandably occasioned a reaffirmation of ASEAN's concern. This can be seen in the so-called Kuantan principle,[5] which can be considered in part as a reflection of that concern and an attempt, just as the idea of ZOPFAN, to extend the application of an ASEAN principle to the rest of Southeast Asia, particularly Indochina.

[5]For a discussion on the Kuantan principle, see Justus M. van der Kroef, "ASEAN, Hanoi, and the Kampuchean Conflict: Between 'Kuantan' and a 'Third Alternative'," *Asian Survey*, vol. XXI, no. 5 (May 1981), pp. 515-535.

III

From the point of view of ASEAN regionalism, what role can and should the U.S. play in Southeast Asia? It should be noted at the outset that ASEAN's rejection of external interference and hence the ZOPFAN proposal, is addressed to all powers outside the region of Southeast Asia. Nevertheless, on the basis of the region's past experience as discussed above, it can be argued that the idea refers chiefly, or perhaps even exclusively, to the big powers, which have been the principal intervenors in the regional affairs of Southeast Asia and which have the capabilities and interest to do so in future, more than any other powers. In addition, again based on the region's past experience, "interference" refers chiefly or almost exclusively to military or armed interference.

However, it is obvious that neither rejection of external interference nor the ZOPFAN idea as its formal, fullest expression, is to be intended to mean a total rejection of the presence, and thus the legitimate interests and roles of the great powers in the region. Not only would such an attitude be wholly unrealistic, but in the increasingly interdependent world of today it would not be in the best interest of the Southeast Asian countries themselves. After all, in varying degrees, concurrently as well as at different periods, the great powers have all maintained their presence in the region in one form or another, either in military or non-military terms, or both. No nation in Southeast Asia is capable, nor feels the need, of ousting the great powers from the region.

Indeed, the presence of the great powers and their legitimate interests in the region are duly recognized. It is also recognized that they have a role to play which, however, should not jeopardize the vital national interests of the countries in the region. They should help, on the basis of mutually beneficial relationship and cooperation with the countries of the region, to promote the advancement of the aims and purposes of ASEAN regionalism. For the creation and maintenance of peace and stability in the region will also be in the best interest of the great powers. Indeed, on account of their weaknesses and lack of certain resources the ASEAN member countries not only would not exclude the great powers but they stand in need for their aid. So their rejection of outside interference and hence the principle of ZOPFAN do not preclude interaction and cooperation with, and to some extent even reliance on them.

Thus in a sense the attitude of the ASEAN member states towards the great powers is characterized by some degree of ambivalence. Given a loose definition of "interference" or intervention as a form of "influence,"[6] despite em-

[6]For a discussion on the concept of interference or intervention as equivalent to influence and its relation to various forms of foreign aid, see David A. Baldwin, "Foreign Aid, Intervention, and Influence," *World Politics*, vol. 21, no. 3 (April 1969), pp. 425-447.

phasis on outside interference "in any form or manifestation" as given in the Bangkok Declaration, ASEAN's rejection of external interference has been selective. It is selective, first, in the sense that despite its rejection of military intervention, ASEAN has proved to be accomodative towards other, more subtle forms of interference, which must inevitably result from relationship and cooperation with the great powers, particularly to the extent that such relationship and cooperation involve various forms of aid[7] provided by the great powers. Secondly, it is selective in the sense that partly by choice and partly by force of circumstance ASEAN has fostered such relationship and cooperation with certain great powers but not with others and more closely with some than with others.

IV

There is no doubt that the U.S., among the great powers, maintains the closest relationship and cooperation with ASEAN countries, especially in economic terms. There is hardly any need to quote statistical figures to indicate this already well-known fact. But by virtue of the enormous importance of the U.S. not only in terms of its economic strength but also of its strategic and political power and influence, it is expected to play a role that is of more than merely economic significance in Southeast Asia, especially with respect to ASEAN regionalism. One of the principles to which ASEAN member countries are committed is, as stated in the Declaration of ASEAN Concord, that "stability of each member state and of the ASEAN region is an essential contribution to international peace and security." It is certainly in the interest of the U.S. itself to help promote that stability.

The most urgent challenge to the stability of ASEAN and of Southeast Asia at present is clearly the Kampuchean problem, the main source of disequilibrium in the region. As mentioned before, the Kampuchean conflict has opened a new era of great power intervention in Southeast Asia. This has been attested by the entry of Soviet military power into the region with the acquisition of military facilities in Vietnam and by the Chinese attack on Vietnam, both of which were a dangerous projection of the newly intensified Sino-Soviet dispute into the Southeast Asian region. It has practically destroyed ASEAN's hope for ZOPFAN. The Kampuchean conflict has also tended to accentuate differences among the ASEAN member states in their perception of threat to their security and in their relationship with the major powers, and hence in their response to the Kampuchean crisis. All these have created strain within ASEAN and posed a threat to its unity and solidarity.

[7]See *ibid.*; also John P. Lewis, *Development Cooperation: Efforts and Policies of the Members of the Development Committee*, 1981 Review (Paris: Organisation for Economic Cooperation and Development, 1981), pp. 25-31.

It is true that despite the strain and threat to its unity and solidarity ASEAN has been able to develop and maintain a common stand on the Kampuchean issue,[8] which has essentially been tantamount to toeing the Thai line. This does not necessarily mean that the ASEAN member states have been successful in overcoming their differences, some of which relate to certain basic questions of strategic and security outlook. What it does indicate is that ASEAN is primarily interested in maintaining its unity and solidarity, and thereby the basic principles and goals of ASEAN regionalism.

However, the outcome of such an exercise could not be other than a compromise formula that has only set aside and pushed into the background, hidden under the formulation of noble legal and ethical principles, but failed to deal in a meaningful way, the essence of the differences. If what is sought is a "political" solution to the Kampuchean problem, as ASEAN, supported by a large part of the international community, including the U.S., has consistently pledged to attempt, there is reason to doubt that such a legal and ethical or moral approach would be appropriate to achieve the desired goal. Indeed, the ASEAN position has been said to have undergone certain changes towards greater flexibility, but in essence it has remained the same.[9]

Such has been the position that the U.S. has continued to support. But in effect the U.S. attitude, as described by one scholar, has meant:

> "... not a policy but a comfortable holding operation. The United States in effect says to the ASEAN states and China: you lead and we follow; any policy mutually acceptable to you, ... is acceptable to us ... Certainly it is not an approach designed to lead the United States into serious trouble ... it abrogates vitally needed American leadership."[10]

The U.S. low-cost policy of merely supporting the ASEAN stand -- which seems to coincide with that of China in favour of the Chinese position supported by the U.S.[11] -- no matter what happens, reflects apparent indifference on the part of the U.S. This is understandable in view of the inward-looking tendency in U.S. foreign policy orientation particularly as regards Southeast Asia in the context of the post-Vietnam syndrome in the wake of the American

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[8]See van der Kroef, "ASEAN, Hanoi, and the Kampuchean Conflict;" and Lau Teik Soon, "ASEAN and the Cambodian Problem," *Asian Survey*, vol. xxi, no. 6 (June 1982), pp. 548-560.

[9]See note 8 above; see also Karl D. Jackson, "U.S. Policy, ASEAN, and the Kampuchean Crisis," in *Economic, Political, and Security Issues in Southeast Asia in the 1980's*, ed. Robert A. Scalapino and Jusuf Wanandi (Berkeley: Institute of East Asian Studies, University of California, 1982), and "Joint Statement by ASEAN Foreign Ministers: An Appeal for Kampuchean Independence" (New York, 20 September 1983).

[10]Douglas Pike, "Southeast Asia and the Superpowers: The Dust Settles," *Current History*, vol. 82, no. 483 (April 1983), pp. 146-147.

[11]Jackson, "U.S. Policy," p. 133.

withdrawal from Indochina. More important, however, such a position seems to imply U.S. reluctance to get involved and to help find appropriate ways and means of reaching a political solution to the Kampuchean crisis.

However, that seems to be the kind of role the U.S. is expected to have the power and influence to play instead of simply following the lead initiated by ASEAN, and even in so doing caring not so much for ASEAN's interest as for that of China, which has thus proved itself adept at playing the "American card"[12] rather than the U.S. playing the "China card." Indeed, the nature of an acceptable political solution to the Kampuchean problem ought to be the result of a political compromise, i.e. one between the interests of the parties involved. It is in that light that the acceptability of the ASEAN position on the Kampuchean problem ought to be assessed. It can be argued that the way in which the principles are to be formulated to achieve the desired political solution is of less importance than the content or substance of the formula and the way in which those principles are to be put into effect.

So far, however, it is not clear if attempts have been made, particularly on the part of ASEAN, to find appropriate modalities with a view to implementing those principles that would also cater for the interests of Vietnam, the principal opposite party to the conflict. The Vietnamese have always been concerned with what they perceive of as the Chinese threat to their security. It seems clear that Vietnam's intransigent stand has been due to the fact that ASEAN's stance on the Kampuchean problem tends to ignore this factor. Given that proposition, Vietnam's degree of flexibility will be determined by the Chinese attitude. But the equally intransigent Chinese attitude can only be matched and modified by the power and influence of the U.S. because of the importance China attaches to its burgeoning relationship with it.

The question is, however, is the U.S. really in a position to exert their influence on China so that it may be persuaded to release or reduce its pressure on Vietnam? And if so, is it willing to do so? If the answer to the first question is negative, then the second question is of no relevance. The problem is that even given the likelihood that the U.S. is in such a position, it does not seem at all easy to get an affirmative answer to the second question. The U.S. position on the matter is, as expressed by one American official, in line with the Chinese way of thinking, that there was "no tangible Chinese 'threat' until Vietnam invaded and occupied Kampuchea." As regards the question of weaning away the Vietnamese from the Soviet Union "it was in pursuit of their own political ambitions in Kampuchea that the Vietnamese chose to increase their dependence on the Soviet Union."[13]

[12] *Ibid.*, pp. 133-134.

[13] John. H. Holdridge, "The U.S.-ASEAN Relationship: A Status Report," in *Economic, Political, and Security Issues*, p. 143.

Consequently, given the difficulty in persuading the U.S. to play a more positive and constructive role in ASEAN's search for a political solution to the Kampuchean problem that will be acceptable to all interested parties, what can at best be expected from it, is first to review certain basic assumptions underlying their present position. These relate particularly to such questions as whether or not Vietnam is nothing but a Soviet proxy; whether Vietnam has genuine security interests relating to China; and whether once Vietnam's security is assured it will turn its attention and resources to internal development and live peacefully with its neighbours, whatever the future arrangements of its relations with the rest of Indochina may be, or whether it will -- as Cuba in the eyes of the U.S. -- create instability in the region so as to realize its hegemonious ambitions or on behalf of Soviet expansionism. In other words, there is need to review the U.S. perception of Vietnam's real intentions.

Indeed, if there is anything that may be called U.S. policy on Indochina, it is one of using only the "stick" against Vietnam. This, of course, applies also to China's policy and, in effect, that of ASEAN as well. No "carrot" has been offered. And it seems clear that the non-communist countries, but above all the U.S., has the capability and resources to offer one to Vietnam, which would persuade it to be more flexible and accommodative towards a political solution.

In theory, to be sure, such a principle of "stick and carrot" and a *quid pro quo* type of solution seem to be implied in U.S. support for the Kampuchea strategy adopted by ASEAN. That strategy involves two main aspects: (1) the search for a political settlement that would *protect the legitimate interests of all states in the region, including Vietnam.* The framework for a negotiated settlement was provided by the declaration of the U.N.-sponsored International Conference on Kampuchea, held in New York in July 1981; and (2) the application of diplomatic, economic, and military pressure on Vietnam to persuade Hanoi that is should negotiate a political settlement in Kampuchea.[14]

That is the rhetoric. In practice, however, only the second aspect has been consistently resorted to. As to the first aspect, particularly as regards the legitimate interests of Vietnam, it seems that these have to be defined not by the Vietnamese themselves, but by the U.S.: "The reduction and eventual elimination of ... Soviet military presence in Indochina is a central long-term U.S. objective in the Pacific. The only effective way to reduce the Soviet presence and influence is through impressing on Hanoi that its interests are not served by an

[14] *Ibid.*, pp. 142-143 (emphasis added).

alliance with the Soviets but would be far better served by addressing the root problem -- their occupation of Kampuchea."[15]

The Vietnamese have never been offered with an alternative to its alliance with the Soviet Union, except the one dictated to them by the U.S. (and China), under the guise of support for the ASEAN position. There is, indeed, a general awareness of a possible alternative that would induce the Vietnamese to modify its behaviour towards a more flexible and favourable posture with regard to negotiations for a political settlement of the Kampuchean problem and towards less dependence and reliance on the Soviet Union. "The United States is cognizant of the importance Vietnam attaches to the normalization of its relations with the non-Communist world, including the United States itself." But Vietnam is faced with a vicious circle by the U.S. insistence that "When Vietnam agrees to a satisfactory solution in Kampuchea, it will be possible for ASEAN and other countries to begin to talk in terms of 'normal' relations with Vietnam."[16] "It is the policy of the Reagan Administration that diplomatic relations with Hanoi are out of the question as long as Vietnam continues to occupy Kampuchea and generally remains a menace to other countries in the region."[17] And again, it is for the U.S. alone rather than the Vietnamese as well to define a "satisfactory solution" of the "root problem."

There is no pretension in this discussion that should the United States once decide, followed on by other Western and non-communist countries, to play the kind of role in search for a political settlement of the Kampuchean problem as suggested above, the problem would soon be solved once and for all. The Kampuchean problem is a complex one. But the point is that the U.S. is in a position to play a key role in any effort to find a wayout of the present impasse towards a lasting settlement, if only it is aware of that position and willing to play that role. The U.S. may have the cards in hand, but these cards will never be of any good to anyone unless and until they are played.

V

The settlement of the Kampuchean crisis will be of vital importance to ASEAN regionalism. Whatever future arrangement may result from it for the relationship between the countries of Indochina, the cessation of conflict will ensure greater security and freedom for the countries of the Southeast Asian region from external interference. It will revitalize the idea of ZOPFAN, the

[15] *Ibid.*, p. 143.

[16] *Ibid.*

[17] *Ibid.*, p. 142.

realization of which will also require the acceptance by the countries of Indochina. Then the countries in the region will be able to look forward to harmonious and mutually beneficial relationship, whatever the future pattern of relationship between the ASEAN member states on the one hand and the countries of Indochina on the other, for the promotion of their national resilience and thus of the regional resilience of Southeast Asia.

What would be the pattern of relations between the countries of Southeast Asia, particularly ASEAN on the one hand, and the great powers on the other over the long run? What has been argued before is likely to continue to apply to the attitude of the countries of Southeast Asia towards the great powers. It will continue to be one of ambivalence. They will continue to reject external interference. But at the same time they will continue to rely on relationship and cooperation with the great powers. They will continue to depend for a long time to come on aid and assistance from the great powers for their national developments. Thus they will continue to be ambivalent in their rejection of external interference to the extent that they will subject themselves to certain forms of interference that will inevitably result from foreign aid and assistance.

As far as ASEAN regionalism is concerned, however, such an attitude is not inconsistent with the principles and objectives of ASEAN. As quoted before from the Bangkok Declaration, the member states of ASEAN are committed to the principle, among others, that they "share a primary responsibility for strengthening the economic and social stability of the region and ensuring their peaceful and progressive national development," and that, as stated in the Declaration of ASEAN Concord, the "stability of each member state and of the ASEAN region is an essential contribution to international peace and security. Each member state resolves to eliminate threats posed by subversion to its stability, thus strengthening national and ASEAN resilience."

It is in the context of the implementation of such principles and the achievement of such objectives that ASEAN, despite its ambivalence, would like to see the role of the U.S. in the region over the long run. By providing aid and assistance for ASEAN, it will, in effect, help the ASEAN countries to help themselves in the end. And by assisting the ASEAN countries in their national developments, it will play a significant role in the promotion of national and regional resilience of ASEAN. In so doing, the U.S. serves its own best interests.

Bahasa Indonesia: A Crisis in Victoria, Australia

Lambert KELABORA

Towards the end of the 1950s, Bahasa Indonesia was introduced in secondary (and later primary) schools in Victoria and New South Wales. It was by no means the first Asian language to be taught in the Australian schools. Yet its introduction promised to open new and exciting frontiers of foreign language learning in this country. There was a sense of enthusiasm, optimism, and pioneering spirit in the enterprise. Professor A.H. Johns, the Foundation Professor of Indonesian Languages and Literatures at the Australian National University, embodied this spirit in his inaugural lecture in 1964. Under the title *Indonesian Studies in Australia: An Open Horizon,* Professor Johns declared that with respect to Indonesian studies in Australia, "the field is new, the horizon is open," and it is here that one can make his mark.[1] This prophecy became true over the following 10 years or so. The teaching of Indonesian language and culture has been extended from tertiary to secondary and primary schools; it has spread from Victoria and New South Wales to every state and territory in Australia. The quantitative expansion in terms of students; schools, teachers, textbooks, teaching aids and educational ideas has been tremendous. Just over a decade after its introduction Indonesian became the third modern language in Australia, after French and German, and this is an impressive achievement.[2]

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[1]A.H. Johns, *Indonesian Studies in Australian Schools: An Open Horizon* (Canberra: Australian National University, 1964), p. 15.

[2]In terms of total enrolments across Australia, Italian has more students; but Italian is formally classified as an ethnic language rather than a foreign language. Furthermore, in terms of students sitting for matriculation examinations, Bahasa Indonesia occupies the third place in Australia. See, Australia, Department of Education, "The Teaching of Modern Languages in Australian Schools, 1975," *Research Branch Report,* no. 3, 1977, pp. 2, 9-12.

The qualitative development has been equally impressive. From an optional and elective subject provided as an alternative to either French or German, Bahasa Indonesia has developed to become the dominant foreign language subject in many schools; in others it has even been made compulsory in place of the European languages. It is also true that Bahasa Indonesia was initially introduced on an experimental basis in some schools with the expressed purpose of generating students' interest in foreign language learning or Asian studies. Over the years, it came to be accepted by parents, students, teachers, and the Education Departments as a legitimate subject within the curriculum.

For obvious reasons, however, the qualitative development of Bahasa Indonesia during the subsequent years has been rather slow. Instead, the 1970s have been marked by a significant quantitative expansion of Indonesian studies across the board. Against the downturn in student enrolments in the European languages throughout the 1970s, student intake in Bahasa Indonesia has continued to grow at a rapid rate. The situation in Victoria which has been chosen for this study will help to illustrate this picture.

Against this background, however, there is a conspicuous absence of studies about this phenomenon. The first important statement of the situation of the Indonesian language and cultures in the Australian schools was made by the Auchmuty Report in 1970. This Report revealed for the first time that as many as 3,431 students were studying Bahasa Indonesia in 71 schools all over Australia. It was indicated that there were "about 120 teachers qualified to teach Indonesia/Malay" but only about 60 of them were actually teaching the language.[3] In Victoria, there were an estimated 30 teachers teaching 1,964 students of Bahasa Indonesia in 30 schools.[4] A study discovered in 1975 that the number of teachers had reached 98 and the total student population 6,300, an increase of more than 200 per cent.[5] This rapid quantitative growth has continued to the extent that an estimate in Winter 1978 revealed a total of 8,941 Indonesian language students in Victorian secondary schools alone. The number of teachers stand at well over 100.[6] The overall Australian picture since 1970, with respect to the teaching and learning of Bahasa Indonesia, is not clear.

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[3]Australia, Commonwealth Advisory Committee on the Teaching of Asian Languages and Cultures in Australia, *Auchmuty Report* (Canberra, 1970).

[4]Australia, Department of Education, "Teaching of Modern Languages," pp 24-25.

[5]L. Kelabora, "The Evolution of Teacher Education in Indonesia," *South Pacific Journal of Teacher Education*, vol. 3, no. 1 (1976), pp. 33-43.

[6]L. Kelabora, ed., *Indonesian Language and Culture in Australian Schools: Problems and Prospects* (Melbourne: Victorian Indonesian Language Teachers Association, 1978).

Evidence which has emerged over the last five years or so suggests, however, that something is seriously wrong with Bahasa Indonesia in Australia. In the Australian Capital Territory, Queensland, Western Australia and Tasmania, Bahasa Indonesia has virtually been wiped out of the curriculum. In New South Wales Bahasa Indonesia is on the way to recover from the problems it experienced throughout the 1970s. In Victoria, the subject is still going through a crisis. The exception is the Northern Territory where Bahasa Indonesia is alive and well in almost every school and educational institution, from primary to tertiary level.[7] In order to reach some understanding of this phenomenon, this paper will concentrate on the problem of Bahasa Indonesia in Victoria.

THE SYMPTOMS

Of the most telling evidence about the crisis which befalls Bahasa Indonesia in Victoria is the dramatic decline in the number of schools providing this subject and in the number of students studying it. Table 1 reveals, for instance,

Table 1

VICTORIA: GOVERNMENT SCHOOLS TEACHING INDONESIAN, 1970-1982

Year	Number of Schools	Increase/Decrease ±	Increase/Decrease %
1970	16	—	0
1971	19	+ 3	+18.7
1972	19	+ 0	+ 0
1973	29	+10	+52.6
1974	31	+ 2	+ 6.9
1975	41	+10	+32.2
1976	42	+ 1	+ 2.4
1977	51	+ 9	+21.4
1978	48	- 3	- 5.8
1979	58	+10	+20.8
1980	56	- 2	- 3.4
1981	48	- 8	-14.2
1982	42	- 6	-12.5

Source: Victoria, Education Department, *Foreign Languages in State Secondary Schools* (Melbourne: 1982), p. 4.

[7]L. Kelabora and R.R. Hardjadibrata, *Asian Studies, Bahasa Indonesia and the Australian National Language Policy* (Melbourne: Indonesian Cultural and Educational Institute, 1982), pp. 21-22.

that the number of government schools teaching Bahasa Indonesia increased from 16 in 1970 to its peak of 58 in 1979; in 1982, the figure has declined to 42 schools which was equal to the 1976 situation. (No data on private schools are available.) It is reasonable to assume, therefore, that the number of schools providing the subject in 1983 is down to the 1975 or even 1974 level. This, however, can only be confirmed with the data from the Victorian Department of Education, which have yet to be released.

In geographic terms, Bahasa Indonesia has virtually been wiped out in the government schools in the Western, Northern and North Western part of Victoria (except Bendigo area). In Gippsland, Bahasa Indonesia has never been introduced properly. Even in the metropolitan Melbourne, almost all the schools teaching Bahasa Indonesia are concentrated in the East, Southeast and North Eastern parts of the city.[8]

The decline in the number of schools teaching Bahasa Indonesia can also be taken as an indicator of the decline in the number of students studying the subject. In the absence of existing data in Victoria on the number of students studying Bahasa Indonesia, one can only estimate the pattern. As indicated above, Kelabora discovered in 1975 that some 6,300 students were studying Bahasa Indonesia in the private and government schools in Victoria.[9] Further, he revealed in Winter 1978 that some 8,941 students were studying this subject.[10] It was on the basis of these figures that the number of students enrolled for Bahasa Indonesia in 1979 was estimated to be 10,000; and the total figure for 1982 was set at 6,000 because it was closer to the 1975 level. If the real figures of enrolment in 1979 and 1982 were higher than these estimates, then this was caused by the fact that between 1975 and 1979, Bahasa Indonesia expanded to the junior forms in many schools, to Year 7 and Year 8. This will be shown later in Table 4.

Let us return now to the government schools in Victoria and examine the pattern of decline in student enrolment in Bahasa Indonesia. Table 2 provides the details of students' enrolment from 1979 to 1981, since the 1982 and 1983 figures are not yet publicly available. Thus, the total enrolment of 7,475 Indonesian language students in the government schools in 1979 was certainly the peak. Afterwards its decline by 1,199 students to 6,276 in 1980; and then increased by 604 to 6,880 in 1981 -- this was still below the 1979 level.

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[8]Cf. Kelabora, *Indonesian Language*, pp. 93-101.

[9]Kelabora, "Evolution of Teacher."

[10]Kelabora, *Indonesian Language*.

What is further revealed by Table 2 with respect to student drop out rate from the Indonesian classes in the government schools hits the heart of the current crisis. A closer analysis of the 1981 enrolment reflects the general pattern and this is shown below in Table 3. Of the 100 students enrolled in Year 7

Table 2

VICTORIA: STUDENTS STUDYING BAHASA INDONESIA AT STATE SECONDARY SCHOOLS, 1979-1981

Year Level	1979 Enrolment			1980 Enrolment			1981 Enrolment		
	F	%	±	F	%	±	F	%	±
7	3,192	100	0	2,508	100	0	3,360	100	0
8	3,071	96.2	- 3.8	2,634	105	+ 5	2,552	75.9	-24.1
9	724	22.6	-73.6	590	23.5	-81.5	490	14.6	-61
10	310	9.7	-12.9	294	11.7	-11.8	282	11.7	- 2.9
11	111	3.4	- 6.3	144	5.7	- 6	112	3.3	- 8.4
12	67	2	- 1.4	106	4.2	- 1.5	84	2.5	- 0.8
Total	7,475	100		6,276	100		6,880	100	

Source: These data were compiled and calculated from Victoria, Education Department, *Secondary School Students Studying Foreign Languages* (Melbourne: 1982), p. 2.

Table 3

VICTORIA: RETENTION RATE IN BAHASA INDONESIA IN STATE SECONDARY SCHOOLS, 1981

Year Level	Student Retention Rate
7	100
8	75.9
9	14.5
10	8.3
11	3.3
12	2.5
HSC Pass	1.4*

* This is an estimated figure from the data in Table 2, above, and Table 6, below. The real figure could be lower than 1.4.

Bahasa Indonesia in the government schools, only 2.5 reached Year 12 level. Some 97.5 dropped out along the way. The major drop out occurred at two stages. Of those 100 students who enrolled at Year 7 in 1981, some 85.1 have dropped out by Year 9. The next major drop out took place between Year 12 and HSC examinations. Of the 2.5 students who survived to Year 12 level in the Indonesian language classes in the government schools in 1981, only 1.4 passed HSC examinations. (This will be analyzed in detail below.)

When Table 3 is expressed as a pyramid, as shown in Diagram A, it is obvious that there was a significant wastage of human energy and resources in the field of Indonesian studies. The drop out rate is so heavy especially after Year 8 that the pyramid is very wide at the bottom and very slender at the top. This situation is not normal in any educational system. Students are rejecting Indonesian across the board in great numbers. It is not because they are not motivated, certainly; for these students, over 3,000 of them, in fact, enrolled annually at the beginning of Year 7. They are rejecting the course for a complex set of reasons which will be outlined below.

Diagram A

VICTORIA: ENROLMENT PYRAMID IN BAHASA INDONESIA AT STATE SECONDARY SCHOOLS, 1981

In educational terms, the efficiency of a Year 9 Indonesian class at the government school in Victoria in 1981 was 14.5 per cent and that of Year 12 was 2.5 per cent. The Indonesian course, therefore, has failed miserably in Victoria. It cannot hold its student enrolment let alone teach them anything Indonesian. In terms of attitude formation, the Indonesian course in Victoria has little to offer. By failing and frustrating some 98 per cent of its student population during their six year period, the present course has contributed significantly towards the anti-Indonesian studies in the curriculum. Finally,

a successful completion of the course does not provide the necessary prerequisite for entering any tertiary Indonesian studies.

One of the implications of the above figures is that less and less schools are in fact providing Bahasa Indonesia in Victoria. This in fact is the case and this is demonstrated in Table 4, below. In short, the government schools in Victoria have almost wiped themselves out of senior Indonesian. It was reported that in 1982 only two government high schools, Benalla High School and McRobertson Girls High School, had *viable* HSC Indonesian classes; in 1983 there remains only the latter in the field. The word 'viable' is used advisedly here because even those schools which indicated that they provided the HSC Indonesian course in reality had only three or four students who were enrolled at the Correspondence School. For this reason, the enrolment figures at the Correspondence School are usually subsumed under the normal school enrolments.

Table 4

VICTORIA: NUMBER OF STATE SECONDARY SCHOOLS PROVIDING BAHASA AT SPECIFIC YEAR LEVEL, 1979-1982

Year Level	1979	1980		1981		1982	
		F	±	F	±	F	±
7	27	28	+1	30	+2	26	-4
8	35	33	-2	32	-1	27	-5
9	32	28	-4	27	-1	23	-4
10	31	26	-5	26	-0	23	-3
11	23	26	+3	20	-6	18	-2
12	20	20	-0	18	-2	11	-7

Sources: Victoria, Education Department, *Foreign Languages in State* ed. 1979, p. 4; ed. 1980, p. 4; ed. 1981, p. 4; ed. 1982, p. 4.

The nature of HSC enrolments in Bahasa Indonesia is another symptom of the current crisis in Victoria. During the period of rapid quantitative growth of the 1970s, the HSC enrolment in Bahasa Indonesia had increased from 30 in 1969 to some 362 in 1979; in 1982 the figure was 396. At the outset, therefore, Bahasa Indonesia appeared to be a growing healthy subject because of its ever increasing HSC enrolment. Yet, a careful analysis of the HSC student population will show that a significant number of these students are native speakers of Bahasa Indonesia, students from Indonesia and Malaysia. As the details in

Table 5 show, the number of native speakers setting for HSC Indonesian has increased from zero in 1970 to some 262 (66 per cent of the whole intake) in 1982. At the same time, the number of Australian students sitting for this subject declined from its peak of 188 students in 1979 to 134 (34 per cent of the intake) in 1982. In other words, less and less Australian students for whom the course was initially designed are studying Bahasa Indonesia at the senior level; and more and more native speakers of this language are undertaking it. The Diagram B, sums up the situation as outlined in Table 5.

Table 5

NUMBER OF CANDIDATES PRESENTING FOR HSC INDONESIAN IN VICTORIA, 1969-1982

Years	Number of Candidates			Increase/	Language Competency	
	M	F	Total	Decrease	Native	Non-Native
1969	18	20	30	—	—	—
1970	23	20	43	+13	—	—
1971	32	25	57	+14	—	—
1972	54	39	93	+36	—	—
1973	56	37	93	+0	—	—
1974	70	58	128	+35	—	—
1975	95	81	176	+46	—	—
1976	104	120	224	+48	—	—
1977	126	149	275	+51	—	—
1978	171	158	329	+54	—	—
1979	170	192	362	+33	174	188
1980	199	191	390	+28	222	168
1981	196	173	369	-21	216	153
1982	178	218	396	+27	262	134

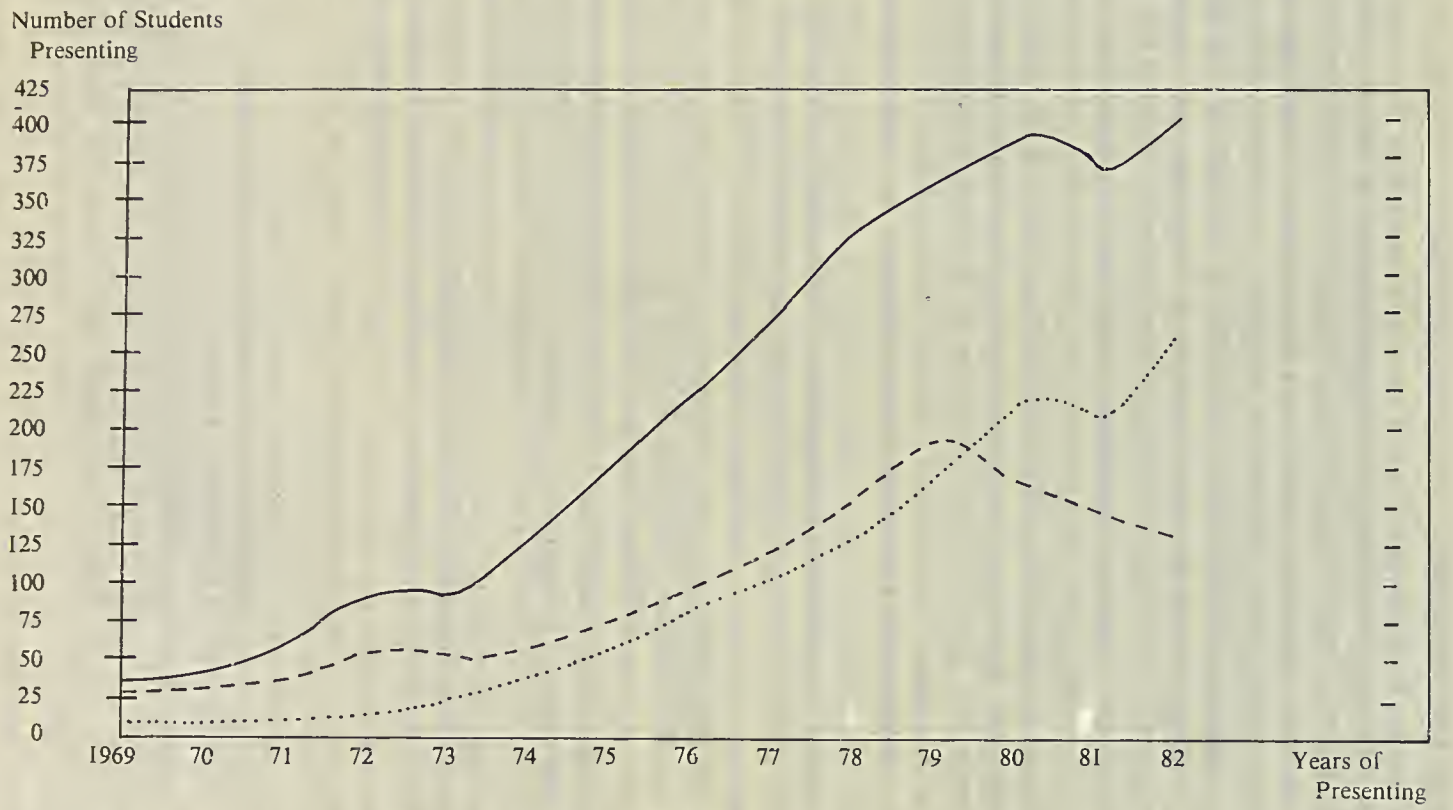
Sources: R.C. Cooke, *The Number of Candidates Presenting for HSC Subjects, 1956-1978* (Melbourne: Victorian Institute of Secondary Education, 1979), p. 5; *Report of Examiners: HSC Examination,* ed. 1979, 1980, 1983 (Melbourne: Victorian Institute of Secondary Education); *Report on HSC Assessment Program, 1981* (Melbourne: Victorian Institute of Secondary Education).

It should be noted in this context that the breakdown of students' enrolment in terms of native and non-native speakers was issued only from the 1979 onwards. Prior to 1979, under the now defunct Victorian Universities and Schools Examination Board (VUSEB), no such breakdown was available. In the Examiner's Report for those years the presence of "native speakers" was simply noted and its effect on the overall pass rate was acknowledged.[11]

[11]E.g. *Reports of Examiners: Higher School Certificate Examination, 1977* (Melbourne: Victorian Universities and Schools Examination Board, 1977), p. 244.

Diagram B

VICTORIA: NUMBER OF STUDENTS SITTING FOR HSC BAHASA INDONESIA, 1969-1982



Key:

1. ——— = Total number of students sitting for HSC Indonesian.
2. – – – – = Total number of Australian students sitting for HSC Indonesian.
3. ..... = Total number of students with native language fluency sitting for HSC Indonesian.

REASONS FOR DECLINE

In the field of education, three factors are usually linked to the rapid decline in students' interest in a course.[12] The first is the lack of resources and suitable teaching materials. Apart from the paucity of teaching materials which characterises every Indonesian language classroom in Victoria and elsewhere, the present Indonesian texts belong to the past, to the 1960s and 1970s.[13] Today, there is an urgent need to develop new and educationally sound textbooks and produce suitable teaching materials to inject life and enthusiasm into every Indonesian language classroom. It may sound pessimistic, but the fact is that it will take at least five or six years to develop suitable textbooks and teaching materials for a subject, such as Bahasa Indonesia. The main reason was the lack of consensus in the professional circles and educational community about the basic features of the Indonesian language curriculum in Australia. Yet it will be this basic understanding which will guide textbook development to promote Bahasa Indonesia in the curriculum.

The second reason which normally links to the rapid student drop out of a subject is the lack of teaching skills in the classroom. On this point, a significant amount of data are available. A study revealed in 1975 that some 10 per cent of the Indonesian language teachers in Victoria have had no formal training at all in Bahasa Indonesia; another 12 per cent had one year and 15 per cent two years training bringing the total of unqualified and underqualified Indonesian teachers to 37 per cent. Yet these teachers are teaching Bahasa Indonesia to thousands of students in Victoria.[14] Compounding this problem is the fact that 31 per cent of these teachers have not had any training in the teaching methods of modern languages.[15] In comparison with other subjects across the curriculum, therefore, Bahasa Indonesia is boring and uninteresting to students. To appreciate the problem is only the beginning to the long problem of solving it. Experience in other countries show that it will take one generation to overcome the problem of lack of teaching skills in the classroom.[16]

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[12]Cf. L.H.S. Emerson, "Education in Indonesia: Diagnosis of the Present Situation with Identification of Priorities for Development" (Jakarta, 1968), vii-xiv.

[13]The two standard textbooks on Bahasa Indonesia for secondary schools are published in late 1960s and the early 1970s. They are: (1) H. Hendrata, *An Audio-Lingual Course in Bahasa Indonesia* (Carlton: 1972; first published, 1969), Part IA, IB and Part II; and (2) J.D. McGarry and Sumaryono, *Learn Bahasa Indonesia* (Chatswood: Modern Indonesian Publications, 1971), Book I, II and III.

[14]Kelabora, "Evolution of Teacher," p. 23.

[15]*Ibid.*, p. 25.

[16]W. Toisuta, "Planning the Supply and Quality of Primary Teachers for Indonesia: 1971-1981" (Ph.D. dissertation, Macquarie University, 1973).

For the schools, the availability of teachers is crucial for the introduction of a subject, such as Bahasa Indonesia. Here, the problem of teacher supply is a critical factor and is becoming serious. Against the background of educational cutbacks and an increasing unemployment of teachers, less and less Indonesian teachers are being trained for the last few years. The result is that it has been difficult to fill the vacancies for Indonesian language teaching and many schools are responding by simply phasing out Bahasa Indonesia. The other side of the problem is that even the established Indonesian language teachers are moving away from this subject in order to have secure employment in other subject areas, such as English, Arts and Crafts, or being promoted to other areas because of lack of senior positions in the Indonesian language teaching. It is an established view in education that once the teachers start deserting a school subject, that subject is doomed. That situation appears to be developing rapidly with respect to Bahasa Indonesia.

The third reason for the rapid decline of student enrolment in a subject, such as Bahasa Indonesia, is usually related to the irrelevancy and outmoded course. The present Indonesian language course in Victoria, which is going through the crisis of lack of confidence, was designed in 1969 as a foreign language course with the following objectives:[17]

1. to understand speech at normal speed on non-specific topics;
2. to speak the language intelligibly to a native speaker;
3. to read with reasonable ease (except on highly specialized topics);
4. to write freely on general topics including topics pertaining to Indonesia and Australia;
5. to gain some understanding of Indonesian culture and way of life including its history and geography primarily through the medium of the language skills as listed above.

In other words, by reading, speaking, listening, and writing a student who has had no previous knowledge of Bahasa Indonesia will start the long and complex task of learning Bahasa Indonesia. The course design assumes the native fluency of the language as the standard of excellence to be achieved -- at least students should be able to understand and communicate with a native speaker of Bahasa Indonesia. The emphasis in this course design, which belongs to the category of content oriented curriculum models, is on acquisition of knowledge and skills. Attitude formation in terms of tolerance and sympathetic understanding of Indonesians and their cultural modes and outlooks was not part of this course design.

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[17] *Handbook for 1981 Year 12 Curriculum and Assessment* (Melbourne: Victorian Institute of Secondary Education, 1980), p. 2.

To a large extent, the particular course design was to continue with little alterations when the Victorian Institute of Secondary Education replaced the Victorian Universities and Schools Examination Board in 1979. The only alterations made to this course in 1979 were concerned with the rearrangement of its content:[18] (1) the language content was reduced significantly; and (2) nine socio-cultural options were added to diversify the learning. Thus, cooking, Indonesian songs, literature, and others were added. Yet there was no attempt to develop guidelines for the development of these socio-cultural options nor define their internal relationships with the language core of the course. In effect some of these options, e.g. cooking, have very little linguistic value. They can in fact be studied separately from the Core.

The retention of the present content oriented curriculum is a distinct disadvantage of the Indonesian language course in Victoria. The course has escaped the rapid development in curriculum thinking over the last 30 years or so. It was even outdated in comparison with the Indonesian language curricula in New South Wales, South Australia and Queensland.

One of the basic weaknesses of a content oriented curriculum, such as the Indonesian language course in Victoria, is that it does not place the students at the centre of the teaching learning situation. Students' interests and aspirations are secondary to the predominant consideration of transmitting the content. The consequence is that the course becomes irrelevant to students' needs. So, when students are faced with the choice of either learning Indonesian or other things, they most likely choose to abandon the former. These kind of problems are compounded by the presence of the unqualified and underqualified teachers as well as unsuitable textbooks and teaching materials -- a point which was referred to earlier.

THE PRESENCE OF NATIVE SPEAKERS

Some of these structural problems of the Indonesian course in Victoria have certainly been aggravated by an increasing presence of native speakers sitting for the subject. This is a new phenomenon which has developed as a direct consequence of the growing relationship between Australia and its Southeast Asian neighbours, Indonesia, Malaysia and Singapore. Evidently, there was an influx of this category of students into the Year 12 Indonesian in the middle of the 1970s, when the decision was made to allow Asian and African students to sit for *both* English and a foreign language, e.g. Bahasa Indonesia.

[18] *Ibid.*

Thus, as the number of native speakers increases over the years the number of Australian students sitting for Year 12 Indonesian declines. As demonstrated in Table 5 and Diagram B, above, the number of Australian students, the target audience for this subject, has declined to 34 per cent of the HSC student population in 1982 and is still falling. In contrast, the number of native speakers has reached 66 per cent of the same student intake, and is still increasing.

Now, who are these native speakers? Against the background of an increasing number of native speakers within the Indonesian language course, VUSEB and successor VISE have never attempted to define this category of students. The approach which was adopted recently has been to separate the students into nationalities, such as Malaysians, Indonesians and Australians. The following contrasts amongst these categories of students are now featured in the annual *Examiners Reports:*[19]

> "It was very notable that most Australian candidates were very well prepared and did bring in interesting materials related to their topics ... However in contrast, a number of Malaysian candidates did little preparation and chose topics that did not require any specialist vocabulary..."

Elsewhere in the Reports, Indonesians are often accused of using Jakarta slang and/or Javanese words which do not belong to standard Indonesian.

Grouping students according to their nationalities of course does not answer the question of "Who are the native speakers?" To start with, some of these native speakers currently sitting for HSC Bahasa Indonesia are Indonesians, either born in Australia from Indonesian parentage (in this case they are Australian citizens) or come directly from Indonesia to study at the secondary schools in Australia.[20] The latter consists mainly of private students. Some of these students have completed their secondary education in Indonesia and wanted to continue their education at the tertiary level in Australia. Yet since their Indonesian High School Certificate is often valued as equivalent to Year 11 (rather than Year 12) achievement level, they are forced to complete HSC in Victoria. Naturally, these students take Bahasa Indonesia as one of their subjects.

It should be noted that there is a small number of Indonesian born students who come to Australia at the early years to start their education at the primary schools. These are the offspring of the middle and upper class families in In-

[19]*Report on HSC Assessment Program, 1981* (Melbourne: Victorian Institute of Secondary Education, 1982), p. 2.

[20]L. Kelabora, "Victoria, Australia: The Problem of Native Speakers in the Year 12 Bahasa Indonesia Course." Position paper for Victorian Institute of Secondary Education, 1982.

donesia. Unlike the previous group of students who have at least a secondary level education and therefore a very competent command of Bahasa Indonesia, this category of students may not be competent at all in Bahasa Indonesia. If they speak their local dialect at home in Indonesia, the Bahasa Indonesia to them is a second language which has yet to be mastered. And they had not been able to do so when they left Indonesia. This category of students, as the Chief Examiner reported in 1982, often used slang and excessive colloqualisms, rather than formal Indonesian.[21] These students are not native speakers of Bahasa Indonesia.

The presence of Malaysian students in the Indonesian course in Victoria is a more recent phenomenon. The major reason for their influx into Indonesian language course in Australia is the decision in 1972 to standardize the spelling of Bahasa Indonesia (which is known in Malaysia as Bahasa Kebangsaan Malaysia) as the national language from the beginning of 1982 (Indonesia 1972). This means in practice that (a) a Malaysian student will have to study Bahasa Indonesia, either abroad or in Malaysia, because (b) anyone without that particular linguistic fluency cannot be properly employed in the economy.[22] For the purposes of HSC Indonesian in Victoria, however, there is a need to distinguish between two different groups of Malaysian students. The first are those who come from English medium or Chinese medium schools. If these students, whether Chinese or Indian, do not use Bahasa Kebangsaan Malaysia at home as well then they are not native speakers of this language. The second group are the Malays who used Bahasa Kebangsaan Malaysia at home; and if they went to the Malay medium schools, then they are the native speakers of this language.[23]

Finally, a small number of Australians are presenting every year with a high degree of native language fluency in Bahasa Indonesia. These are the students who have lived for quite some time in Indonesia, with their parents who were employed in business, diplomatic or defence assignments in Indonesia.[24] Or, they went to Indonesia and stayed for a while for a variety of

[21]*Report on HSC.*

[22]Malaysia, Kementerian Pelajaran, *Laporan Jawatan Kuasa Kabinet Mengkaji Pelaksanaan Dasar Pelajaran,* 1980.

[23]Isahak Haran, "Socio-Economic Status and Educational Achievement in a Plural Society: Peninsular Malaysia." Paper presented at the International Conference on Modernization and National Cultural Identity, Kuala Lumpur, 1983.

[24]Since the promulgation of the Foreign Investment Bill of 1967, an increasing number of Australian companies are now operating in Indonesia. It is estimated that in 1982, the total exceeds 100 companies, including such big Australian companies as BHP, ICI, Westpac Banking Corporation and Qantas. For details, see Australian Embassy, *Australian Based Companies Operating in Indonesia* (Jakarta: 1976); L. Kelabora, "Australian Needs and Indonesian Cultural

reasons. Some of these students have attended Indonesian schools and therefore their competency in Bahasa Indonesia is closer to that of a native speaker.

It is clear, then, that within the Indonesian language course the language skills vary from those who have no previous experience at all in Bahasa Indonesia to native speakers.[25] And categorizing students into different nationalities, such as Indonesians, Malaysians or Australians does not reflect this diversity of linguistic skills. Yet VISE in fact employed the nationalities grouping for reasons which will be outlined below. It does not, however, want to admit the presence of any native speakers in the Indonesian language course in Victoria.[26]

CURRENT HSC INDONESIAN EXAMINATION IS INVALID

Since the Indonesian language course in Victoria is a foreign language course, an ever increasing presence of native speakers is bound to create problems. For one thing, it will invalidate the whole assessment system. Against this background, however, VISE simply requires all students to submit for one system of HSC examination in Bahasa Indonesia which is set for non-native speakers of the language. The results are predictable as shown in Table 6. Thus, after all the raw marks are standardized for all candidates in 1981, for instance, the following appears: (1) the native speakers dominated

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and Educational Institute." Presidential Address on the Inauguration of the 1982 Indonesian Cultural and Educational Institute, Melbourne University, 1982. The parents of some of the Australian students with native language fluency in Bahasa Indonesia are employed in these companies.

[25]Since the Teacher Registration Boards in Victoria (and elsewhere in Australia) do not admit teachers with Indonesian qualifications into teaching, almost all native speakers of Bahasa Indonesia (especially those with Indonesian qualifications) are employed in the private schools. See, L. Kelabora, "Teachers of Bahasa Indonesia and Their Qualifications," *Babel,* vol. 12, no. 3 (1976), p. 21.

[26]Rather than grouping students into native and non-native speakers, VISE groups them into advantaged and disadvantaged categories. (Cf. *Circula,* ICEI, 1983: 8). A disadvantaged student is one who studies Bahasa Indonesia as a foreign language; and the advantaged student is one with native language speaker fluency. The underlying assumption is that a disadvantaged student by means of remedial program, e.g. Bahasa Indonesia, will reach a competency level of an advantaged student. Of course this is not the case at all. For in the field of foreign language learning, a foreign language student will never become a native speaker. Another problem is that when the concept of advantaged and disadvantaged students were introduced in the field of bilingual education, the former were defined as the native speakers of English. The use of these concepts in the context of foreign language learning is most peculiar. Finally, the use of advantaged and disadvantaged students categories tend to avoid the fact that native speakerness is a linguistic competency. Within the Indonesian course in Victoria, it is the standard of excellence to be achieved by the students. (Cf. VISE, 1980:2).

the pass marks, including As and Bs; and the Australian students dominated the failed marks. Of the 149 students, as shown in Table 6, who gained As and Bs in 1981 HSC Indonesian examinations, some 77.2 per cent were native speakers. Conversely, some 87.3 per cent of the 63 students who failed Bahasa Indonesia in 1981 were the Australian students; (2) while 35.7 Australian students failed HSC Indonesian in 1981, as shown in Table 7, the failure rate amongst the native speakers was only 4 per cent.

Table 6

VICTORIA: CROSSTABULATION OF NATIVE AND NON-NATIVE SPEAKERS BY CATEGORIES OF HSC RESULTS, 1981

Language Competency	Candidates Presenting		Candidates Who Gained the Following					
			A or B		C or D		Failed	
	F	%	F	%	F	%	F	%
Native	216	58.5	115	77.2	93	59.3	8	12.7
Non-native	153	41.5	34	22.8	64	40.7	55	87.3
Total	369	100	149	100	157	100	63	100

Source: *Report on HSC.* The distribution of marks emerged during the debates in the VISE Indonesian Subject Committee in 1982.

Table 7

VICTORIA: CROSSTABULATION OF NATIVE AND NON-NATIVE STUDENTS BY HSC RESULTS IN BAHASA INDONESIA, 1981

Language Competency	Candidates Presenting		Candidates Who Gained the Following					
			A or B		C or D		Failed	
	F	%	F	%	F	%	F	%
Native	216	100	115	53	93	43	8	4
Non-native	153	100	34	22.5	64	41.8	55	35.7

One of the reasons which contributes to the high pass rate amongst the native speakers in the HSC Indonesian in Victoria is the fact that VISE requires all candidates to submit to oral examination. The result of the oral examination represents 20 per cent of the final mark. And since a native speaker by definition is fluent in his/her language, the native speakers of Bahasa Indonesia/Malaysia usually pass oral examinations, usually at A or B level. While some of these students often experience difficulties with the written examinations unless they have studied the set texts, they simply have to present at the oral examinations and pass with merits. The Australian student, the non-natives speaker, in contrast, often suffers a great deal of trauma with the oral examinations: (1) their oral competency is usually low because they have done Indonesian either through the Correspondence School with less or no oral practice; (2) they have studied Bahasa Indonesia in schools without a native speaker teacher who can facilitate communication at the speed and fluency of a native speaker; yet they are being examined by native speakers; or (3) they have studied Bahasa Indonesia in schools where the teacher is unqualified or underqualified to bring the students to the level of competency to communicate with a native speaker. On the whole, therefore, oral examination on Bahasa Indonesia is often a terrifying experience for an Australian student, but a pleasant experience for a native speaker.

Summing up, almost any native speaker of Bahasa Indonesia will pass HSC Indonesian in Victoria at the moment; whereas an Australian student will have just less than one out of two chances of passing the same examination, let alone get A or B. The Chief Examiner of Indonesian, Miss Sue Greenough, summed up the anger and dismay within the Indonesian Subject Committee in 1982:

> "So, Australian candidates have been severely disadvantaged in that the natives have gained not only the top marks but also all the passes! A 4 per cent fail rate amongst the native speakers is a great subject to sit compared to others available for HSC."[27]

Yet in this kind of situation, one can hardly blame the native speakers for sitting for HSC Indonesian and gaining almost all As and Bs. Similarly, one should not complain when the Australian students begin to desert the subject in great numbers. The blame should be placed squarely on the course and its invalid examination system. In the field of education, no one would submit native and non-native speakers to one language examination system and expect to obtain a normal distribution of pass marks across the curve. And no one would require native speakers to submit for oral examination in their own language and expect to fail at least some of them.

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[27]Kelabora, "Problem of Native Speakers," p. 2.

In order to avoid the political heat of virtually driving all Australian students out of the Indonesian course in Victoria, the Indonesian examiners are being forced by this bad course to discriminate in favour of those Australian students. This is being done in two ways. The first is by separating the students into different nationalities, i.e. Indonesians, Malaysians and Australians, during the oral examination and examiners are asked to be "hard" on the non-Australian students. It was in this context, that the Jakartan slang and Malaysiana that occurred during the oral tests were severely punished.[28] The second avenue relates to the marks on the written examination. After the raw marks are standardized or together with the standardization process, the examiners are to negotiate with VISE in order to improve the marks of the Australian students. This, unfortunately, further distorts the reliability and validity of the examination system.

THE NATURE OF THE PROBLEM

In a democratic society, such as Australia, a curriculum operates more or less on the basis of student demand. This is basically a private demand for education which is closely intertwined with parental aspirations, employment opportunities, and so on. In practice, therefore, courses which sustain student demand will grow and dominate the curriculum. Those subjects, such as Latin and more recently Bahasa Indonesia, which are deserted by students will disappear from the curriculum.

In Victoria and elsewhere, there is a significant demand for Bahasa Indonesia in schools and the community. The data in this paper, as shown in Table 2, clearly show that thousands of Australian students enrolled annually in the Year 7 Indonesian classes. Within three years some 85 per cent have dropped out of the course. At the senior level, Bahasa Indonesia has been lucky to experience an influx of native speakers from Malaysia and Indonesia. This influx has lifted the status of Bahasa Indonesia into a middle range subject with a decent level of HSC enrolments across the board, in spite of the fact that a significant number of Australian students after Year 9 are also deserting the subject. Within the Indonesian language course, the native speakers have their own demands for Bahasa Indonesia and VISE has yet to come to terms with it. On the whole, the presence of these highly motivated native speakers have kept the moral high within the Indonesian circles, amongst the teachers and educators alike.

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[28]Victoria, Education Department, *Primary Schools Teaching Languages Other than English* (Melbourne, 1982), p. 2 and enclosure.

So, what is the nature of the problem? Those who maintain a content oriented curriculum, such as VISE and its Indonesian Subject Committee, would argue that the problem is about the students. The essence of the argument which was advanced recently by Mr. B. Power, Chairman of the VISE Indonesian Subject Committee, is that there is nothing wrong with the course and its system of assessment is valid and reliable.[29] So, the Committee submitted on 14 June the present course with very little modifications for re-accreditation for another four years, from the beginning of 1985. The implied solution to the problem, which will be examined below, is to exclude the students or restrict their entry to the course.[30]

In contrast, those who maintain that students are the centre of the teaching-learning process would argue that, given the symptoms which are outlined above, the problem must be about the course. That is, the course is no longer relevant because it was designed initially as a foreign language course; yet the average student in the course is no longer a foreign language student.[31] The appropriate solution to the problem is to undertake a thorough review of the course and adjust it to the nature of the student population. This paper is advocating this solution.

SOLUTIONS

The existing evidence clearly demonstrates the need to overhaul the present Indonesian course in Victoria, including the one which was just proposed for re-accreditation for another four years from the beginning of 1985. Below are the parameters of the proposed restructuring:

1. Since the majority of students sitting for HSC Indonesian are now native speakers of this language, there should be two parallel Indonesian language courses at the senior level, one for native speakers and another for non-native speakers of the language. While the former should be conducted solely in Bahasa Indonesia, the latter should be conducted solely as a foreign language course, using English whenever necessary. The implication is clear that:
   a. There should be two examinations at the HSC level, one for native speakers and another for non-native speakers. While the latter should

[29]B.J. Power, "Indonesian: Course Evaluation Report" (Melbourne, 1983), p. 5.

[30]*Ibid.*, p. 6.

[31]Kelabora, "Victoria, Australia: The Problem of Native Speakers;" *Idem*, "Why the Teaching of Indonesian is Failing in Victoria," *La Trobe University Bulletin*, vol. 14, no. 13 (1983).

examine knowledge, skills and attitudes imparted to students who study Indonesian as a foreign language, the former should be conducted in Bahasa Indonesia with specific stress on Indonesian culture, literature and linguistics.

b. Native speakers of Bahasa Indonesia should not be required to submit for oral examination.

2. The present course should be completely re-written in terms of objective-oriented curriculum, with graded knowledge, skills and attitudes to be achieved at every level of the course. This is necessary to bring the Indonesian course in Victoria to the forefront of curriculum development in the field of language education. The point is that we need to abandon the present content-oriented curriculum model which has been with us since the 1960s.

3. Linked to the previous recommendation is the need to develop a non-HSC stream because only 2.5 Year 7 enrolments reached HSC level and only one of them will pass that examination. Therefore, attempts should be made to develop a non-HSC oriented Indonesian course right up to Year 12 level. The content of the course should be oriented more to meeting the demands for employment in business, diplomatic and public service sector. With a properly graded objective curriculum, students should be assessed and certificates should be awarded to them at every stage of their course.

4. The content and scope of the present Indonesian Course in Victoria should be expanded to include Malaysia, where Indonesian is not only the national language; the people are also native speakers of the language. Such an extension should warrant the renaming of the course to *Bahasa Indonesia/Malaysia,* to adjust the course to the same developments in other states as well as the tertiary institutions in Australia.

What would be the consequences of these changes on the pass rate of the Australian students? Table 8 below shows: (1) that if the two-examinations proposal was applied to the 1981 HSC Indonesian figures, some 24 more Australian students would have passed that examination. Even if it is admitted that these figures were calculated using the proposed *Scaling of Group 1 Subjects,* which VISE will be implementing in the next few years, it is true, nevertheless, that a significant number of Australian students would have passed HSC Indonesian since 1981.[32] To put the point differently is to say that a significant number of Australian students studying Indonesian are being failed and will be failed by a bad assessment system; (2) of the total students who fail

[32]*Establishing Common Scales in Group 1 Subjects* (Melbourne: Victorian Institute of Secondary Education, 1983).

Table 8

VICTORIA: ESTIMATED PASS RATES WITHIN HSC INDONESIAN, 1981, USING THE PROPOSED COMMON SCALE FOR GROUP 1 SUBJECTS

Language Competency	Candidates Presenting		Candidates Who Gained the Following					
			A or B		C or D		Failed	
	F	%	F	%	F	%	F	%
Native	216	100	54	25	119	55	43	20
Non-native	153	100	38	25	84	55	31	20
Total	369	100	92	25	203	55	74	20

Table 9

VICTORIA: ESTIMATED PASS RATES WITHIN HSC INDONESIAN 1981, USING THE PROPOSED COMMON SCALE FOR GROUP 1 SUBJECTS

Language Competency	Candidates Presenting		Candidates Who Gained the Following					
			A or B		C or D		Failed	
	F	%	F	%	F	%	F	%
Native	216	58.5	54	58.6	119	58.6	43	58.1
Non-native	153	41.5	38	41.4	84	41.4	31	41.9

HSC Indonesian every year, the proportion of the Australian students will represent only 41.9 per cent (on the 1981 figures), rather than 87.3 per cent at the moment (this is shown in Table 9); (3) on the whole, the number of Australian students doing HSC will increase across the board because the students' abilities are properly rewarded by the assessment system. In other words, their final results are not suppressed by the presence of native speakers in the same examination system.

The effects of the proposed changes and the resultant examination system on the native speakers of Bahasa Indonesia are implicit in these figures: (1) some 20 per cent of the native speakers, rather than 4 per cent, will also fail the Indonesian HSC Indonesian examinations. Also, those who gained other

marks within the scale, from D to A, will be distributed in a normal curve; (2) in other words, these changes will stabilize the population of native speakers who are doing Bahasa Indonesia at the moment by eliminating those who have not studied the subject; yet they are passing the examinations simply because they are native speakers; (3) for the Malaysian and Indonesian students, in particular, these changes will legitimize their knowledge and understanding of Indonesian and Malaysian society and culture within the course; it will save these students from the growing antipathy against them within the education system (including VISE).

OTHER POLICY OPTIONS

The Victorian Institute of Secondary Education which is responsible for Bahasa Indonesia in Victoria has a number of options, should it choose to reject the above proposal.[33] First of all, VISE can choose to maintain the *status quo* in the sense of continuing to set one examination system for students who are studying Bahasa Indonesia as a foreign language while admitting at the same time an increasing number of native speakers into the same examination. This policy option was adopted by VISE Indonesian Subject Committee on 29 April, 1983. Subsequently, it recommended on 14 June that the present Indonesian course be re-accredited, with very little modifications, for another four years from the beginning of 1985.[34] The assumptions underlying this proposal are threefold: (1) that there is nothing basically wrong with the present Indonesian course in Victoria; (2) that the course is not experiencing the kind of problems which are sketched above; and (3) that native speakers would and should be excluded from the course. It is obvious that the acceptance of this policy proposal by VISE will have the following consequences: *firstly,* the Australian students will be driven out of Bahasa Indonesia in Victoria because VISE will not be able to exclude the native speakers from studying their own language. Alarmed at the apparent determination by VISE to exclude native speakers from the Indonesian course, the Indonesian Cultural and Educational Institute sought an assurance from the Victorian Minister of Education not to exclude native speakers from studying their own language; and that assurance was given by the Minister on 26 July 1983. *Secondly,* Bahasa Indonesia will decline further throughout the 1980s and will certainly disappear by the end of this decade.

The second policy option is related to the first. That is, VISE should set one examination system for the native speakers of Bahasa Indonesia since

[33]Kelabora, "Teaching of Indonesia is Failing."

[34]Power, "Course Evaluation Report."

these students constitute the majority, over 60 per cent of the student intake. In fact, the profile of an Indonesian language student in Victoria at the moment is a native speaker of Bahasa Indonesia, coming from the middle and upper class families in Indonesia and Malaysia. So, in order to make the course relevant to the nature of its student population, VISE should adopt this policy option. It should be clear that VISE is being forced into this option by its adoption of the first policy alternative. That is, by maintaining the *status quo* with the consequent diminishing number of the Australian students within the Indonesian language course, VISE will be justified in arguing for one examination paper for the native speakers of the language. The argument for this option will be pushed when the Australian students within the Indonesian course decline to well under 100 and the native speakers increase to well over 400. Thus, as with the case with Greek, Serbo-Croatian, Croatian and Serbian and others where the examinations are designed for the native speakers, the Australian students will be thoroughly excluded from Bahasa Indonesia in Victoria.[35]

The third policy option is to design two separate Indonesian courses at the senior level, one for native speakers and one for the non-native speakers of the language.[36] This is the policy option which was outlined in this paper, with its two separate examinations at the end of Year 12 level. As with the English for native speakers and English for non-native speakers, setting two examination systems for Indonesian will have the effect of increasing the number of the Australian students within the Indonesian course, stabilizing the population of native speakers sitting for the subject; and promoting Bahasa Indonesia in the curriculum.

The fourth option is to set one examination system for all students and require students with different linguistic competencies to sit for different sections of the examination. In other words, native speakers will obviously be excluded from the oral examination. As with the written examination, some sections of the papers will be set for native speakers only and others for the non-native speakers. A closer analysis will show that this is the crude form of the third policy option which is suggested above. It is crude in the sense that it recognizes two separate groups of students with different linguistic competencies; yet if fails to admit that two separate examination systems are required. Further, the administration of this policy option will be a nightmare, especially to VISE. Somehow, it is assumed in this policy option that students who are sitting for one examination paper in one big hall will be told that those

[35]Cf. *Report of Examiners: HSC Examination, 1980* (Melbourne: Victorian Institute of Secondary Education, 1981), pp 138-139, 168-169.

[36]Kelabora, "Problem of Native Speakers;" Kelabora, "Why the Teaching of Indonesia."

who "feel" that they are native speakers should do only certain sections of the paper; the non-native speakers similarly will be directed to other sections of the paper. To be serious and professional, those who are advocating this policy option should accept the third option which assumes that students will be selected and grouped into native and non-native speaker categories before the examinations are started.[37]

Finally, there are other policy options which have been suggested, but a closer analysis has shown that they are not viable. One such option was suggested by the Chief Examiner of Indonesian course in Victoria. It was suggested in June 1982 that native speakers be included in the Indonesian course in Victoria as well as within the whole HSC system, but with the following restrictions: (1) if these students sit for examinations in Bahasa Indonesia and English for overseas students they should not be given marks more than D; and (2) if these students do not sit for Bahasa Indonesia, then their achievement in English for overseas students should be market from A to D, etc. This proposal was rejected within the Indonesian Subject Committee because it appeared to discriminate against the Indonesian and Malaysia students.[38] The proposal was not educational in that it proposed to penalize the students simply because of their nationality. The proposal would have been properly considered if it admitted, as in the course design, that the native speaker fluency was *the* standard of excellence to be achieved by those in the Indonesian language course. So, native speakers should be given A's without sitting for the examinations. In fact the attempt to influence the position of native speakers of Bahasa Indonesia within English language examinations was seen

[37]At the beginning of Year 11 or Year 12, students can be channelled to one of these two courses leading to a separate HSC examination in Bahasa Indonesia by using one of the following instruments:

(1) A language proficiency test, such as Australian Second Language Proficiency Rating (ASLPR). For details, see D.E. Ingram and Elaine Wylie, "Australian Second Language Proficiency Ratings," in Anne MacPherson, ed., *Language Curriculum in the 80's: Affective, Effective, or Defective* (Perth: Australian Federation of Modern Language Teachers Association, 1982), pp. 69-82. The Indonesian component of ASLPR has to be developed if it is to be used for this purpose.

(2) Schools can be asked to separate students who have formally studied in Indonesia, Malaysia or Brunei for at least five years and then direct these students to the course leaving to HSC examinations for students with native language fluency in Bahasa Indonesia. This selection can be done by scrutinising the transcripts from each student on his/her enrolment. The rest of the students will sit for the HSC examination in Indonesian for foreign language students.

Since students, even if they come from Malaysia or Indonesia, have different levels of proficiency in Bahasa Indonesia, it is better to employ ALSPR for this purpose. Beside, schools may not be entirely happy with the task of selecting students to different courses and examinations at the senior secondary level.

[38]Kelabora, "Problem of Native Speakers," p. 10.

simply as head-hunting: it was simply outside the jurisdiction of the VISE Indonesian Subject Committee.

In terms of policy formation, therefore, Victoria is still a long way from developing an educationally sound curriculum for Bahasa Indonesia. To begin with, there is still no consensus on the nature of the problems faced by the Indonesian course, as is sketched in this paper. An examination of the policy options to solve the problems has yet to be undertaken. The debate on what to do with the Indonesian course in Victoria is rather misdirected and disorganized; and this is closely linked to the nature of the Victorian Institute of Secondary Education -- this is the topic of the next section.

VISE AND THE MANAGEMENT OF THE INDONESIAN COURSE

The present Victorian Institute of Secondary Education (VISE) was created by Act of Victorian Parliament in 1976. Amongst its aims, VISE is to:

> "Cooperate with schools, post-secondary institutions and other bodies in the development of:
>
> (i) a variety of curricula appropriate for the preparation of students for their life in the community;
>
> (ii) methods for the evaluation of such curricula."[39]

In 1977, VISE created its Curriculum and Assessment Committee which was specifically responsible for the development, assessment and review of such school subjects as Bahasa Indonesia in Victoria.[40] When VISE subsumed VUSEB in 1979, the Indonesian Standing Committee under the former was also transferred to VISE, under the title Indonesian Subject Committee, It is this Committee which in theory at least develops, assesses, and reviews the Indonesian course in Victoria.[41] To conduct the annual examinations of Bahasa Indonesia, VISE Indonesian Subject Committee appoints an Examination Panel from its own members. There is also a Course Review Sub-Committee which reviews the course and submits it for re-accreditation.

Under the now defunct VUSEB, the Indonesian Subject Committee seemed to have a final say on the development and assessment of the Indonesian course. The situation under VISE is quite different and this to a large extent is responsible for the present crises with respect to Bahasa Indonesia. First of all, the Indonesian Subject Committee is simply an advisory committee with

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[39] *Annual Report, 1978* (Melbourne: Victorian Institute of Secondary Education, 1979), p. 3.

[40] *Ibid.*, p. 11.

[41] *Handbook for Subject Committees and Panel of Examiners* (Melbourne: Victorian Institute of Secondary Education, 1979), p. 3.

very little powers over the development, accreditation or the assessment of the course. For instance, the Indonesian Subject Committee can develop an Indonesian language course for Victoria; but that course will not be implemented until it has been credited by a Creditation Committee consisting of people from within VISE as well as from outside of VISE -- the Indonesian Subject Committee will have only one representative in this eight member subcommittee.[42] Again, while the Indonesian Subject Committee sets up its Panel of Examiners the Committee itself does not have a say in the content, structure, pattern and the outcomes of the examinations. The Standing Committee does not even approve for release to public the *Examiners Report* on the examinations, even if the Report is issued under its name. Secondly, consisting of the Indonesian language specialists, representatives from the Education Department, Subject Associations, Catholic and private education authorities, teachers and community representatives, the Indonesian Subject Committee is able to provide the kind of advice which is professional, up-to-date with educational theory, and in line with the community aspirations. Yet, VISE can choose to ignore such advice or in some instances, as in the case of the proposal for two examination systems in Bahasa Indonesia, VISE simply stated that it would not receive such a proposal from the Indonesian Subject Committee.

Thirdly, VISE is a poor organization within a rich industrial society with abundant resources. For, in practice, VISE does not provide sufficient support for its Subject Committees in order to perform their functions effectively. It does not provide, for instance, Minute Secretaries to record, type and distribute the Minutes of meetings. Consequently, the records of the Subject Committee meetings, as in the case of the Indonesian Subject Committee, are quite inaccurate and badly handled. VISE does not provide travel funds for the members of its Subject Committees nor subsidize any of their activities. So far, VISE has been leaning heavily on the goodwill and professional commitments of many people in the community for its operations. And within the ever increasing cost of living (especially transport), it is becoming a heavy individual financial burden to work with and within VISE. Finally, VISE does not provide support services for such professional undertakings as course review, statistical analysis of the review data, and computer access for such work. It was basically for these reasons that course reviews, as in the case of Bahasa Indonesia, were badly done; that their analysis and presentation have been faulty in many ways; and their conclusions have not been properly supported.[43] Yet, within the constraints of VISE's own operations, VISE will be forced to accept many of these Reports to the detriment of the educational community.

[42] *Annual Report, 1978*, pp. 7-8.

[43] Cf. Power, "Course Evaluation Report."

It was against this background that VISE spelled out in 1982 its attitude on the proposals to restructure the Indonesian course in Victoria. Below are the major parameters of this policy:

1. VISE policy is that a language course should be constructed for Australian students to learn as a second language.
2. VISE will not allow a single subject [e.g. Indonesian] to establish two subjects because: (a) the funds are not available; (b) inevitably one subject would be seen to be the "real" subject and the other the "Mickey Mouse" subject.
3. VISE would not want to buy into the problems of defining who is or is not an advantaged student [i.e. native speaker].
4. VISE would not, on principle, divide up the candidates into advantaged [i.e. native speakers] and disadvantaged groups [i.e. non-native speakers], each group to be standardized separately.[44]

Some major inconsistencies in VISE's policy in languages in the curriculum in Victoria are apparent in this policy statement. *Firstly,* the contention that VISE simply admits languages to be taught as foreign languages to the Australian students is simply incorrect. For within VISE's own structure, Greek and other languages are designed for students to learn as mother tongues and the Australian students are thoroughly excluded from them.[45] *Secondly,* VISE's refusal to divide a subject, such as Bahasa Indonesia, into two streams because of lack of funds is not founded. A detailed estimate of the cost of conducting two examination systems in Bahasa Indonesia has been shown to be 13 per cent cheaper than the present examination, because native speakers of the language will be excluded from the oral assessment.[46] Again, two examinations system within a language course is operating quite well with respect to English in Victoria, Bahasa Indonesia in New South Wales and South Australia.[47] In short, VISE does not have a real reason for not introducing two separate examinations for Bahasa Indonesia in Victoria. Its refusal to do so is simply based on a lack of comprehensive policy in language education in Victoria. It is this lack of policy which is responsible for the demise of languages, such as Bahasa Indonesia, in the Victorian education system.

CONCLUSIONS

There is a great deal of rhetoric over recent years, especially with Labour Governments in Canberra as well as the majority of States in Australia, about

[44] *Circula,* no. 5 (Indonesian Cultural and Educational Institute, 1983), p. 8.

[45] *Report of Examiners,* pp. 138-139, 168-169.

[46] *Circula,* no. 5, pp. 9-10.

[47] *Bahasa Indonesia/Malaysia, 3 Unit and 2 Unit Courses: Year 11 and 12* (Sydney: Board of Senior School Studies, 1982); *1983 Matriculation Examination Syllabuses* (Adelaide: Public Examination Board, 1983), pp. 181-189, 215-221.

the need for Australians to study and operate in Bahasa Indonesia, because it is the language of Australia's 200 million neighbours in Southeast Asia; because it is the language of diplomacy, trade, commerce, tourism, defence, and research. The reality, however, is that Bahasa Indonesia in Victoria and elsewhere in this country is in trouble; that less and less Australian students are studying this language; and no funds are available to promote it at a large scale, and in some states, such as Victoria, no one seems to be responsible for its well-being.

In Victoria, in particular at the moment, Bahasa Indonesia is irrelevant to the needs of the students, community, tertiary institutions and business establishments. The course does not have the confidence of the Indonesian community, teachers and academics. The Indonesian Cultural and Educational Institute (ICEI) summed up this situation when it passed a motion of no-confidence in this course in May, this year:

> "The Indonesian Cultural and Education Institute (ICEI) feels that the present HSC Bahasa Indonesia Course and the proposed course for re-accreditation no longer pays heed to the composition of the students sitting for HSC Bahasa Indonesia. Therefore, ICEI urges Victorian Institute of Secondary Education (VISE) to reject the proposal to re-accredit the proposed course and consider the introduction of a course with two papers, namely one for students of Bahasa Indonesia as a foreign language and one for students with native language fluency in Bahasa Indonesia."[48]

A lack of sympathy for languages, such as Bahasa Indonesia, anti-Indonesian and Malaysian sentiments within the community, widespread apathy and ignorance amongst teachers, and the absence of financial support from the governments, community and business establishments are only some of the major hurdles to be overcome in order to promote Bahasa Indonesia for the benefit of everyone. Above all, no reform will be undertaken with respect to Bahasa Indonesia unless those who are responsible for this subject, those within VISE, the schools and the Victorian Department of Education, are convinced that the present Indonesian course has failed miserably even to achieve the modicum of objectives set for the course. And the task of convincing them, and this paper is only a part of that, is not easy.

In terms of policy formation, Victoria is still a long way from restructuring its Indonesian course to bring it up to date with the current thinking in language curriculum and to adjust it to the changing needs and aspirations of the students, schools, parents and business community. Those who are involved in the process of curriculum change have yet to agree on the nature of the problems faced by the Indonesian course, let alone embark on the serious examination of the policy alternatives leading to the appropriate solutions. This paper should be seen as a modest beginning to this long and complex process.

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[48] *Circula*, p. 2.

Book Reviews

Energy and Equity

Energy and Equity (in Indonesian: *Energi dan Pemerataan*) by Hadi Soesastro et al. (Jakarta: CSIS, 1983), 289 pp. This review article is written by Setyo Soedradjat, PPTMG "Lemigas."

The role of energy in the life of society, particularly in rural areas, is reflected in the amount of the energy's share in the efforts to improve the living standard of the people living in rural areas. This is understandable, because:

- Energy constitutes a basic human need to improve living conditions. This is noticeable from, for example, the rural household energy consumption.
- Energy is a factor of productivity such as that of industry and agriculture.
- Energy is a factor of mobility or transportation.

In the implementation of the policy of equity, the rural areas have become the main objective, since 80 per cent of Indonesia's population live in rural areas. Hence it stands to reason that energy and equity are interrelated and need further study so as to achieve a successful program of an integrated and comprehensive energy policy.

CONTENT OF THE BOOK

This book, which is entitled *Energi dan Pemerataan* (Energy and Equity) is the result of a series of surveys conducted by a team of CSIS surveyors, and in the form of analyses. The surveys were conducted in two stages. The first stage constitutes initial surveys conducted in November 1979. The second stage, comprising main surveys in the household and industrial sectors were conducted in January-March 1980.

The result of the surveys is set forth at length in 4 sections. The *first section* consists of several analyses with a focus on energy policy in the framework of development and equitable distribution of income. The *second section,* which also consists of several chapters, discusses energy supply and consumption of the rural household, both in West Java as a whole and separately in the district of Bandung and Cirebon.

The *third section* is an analysis on the role of energy in the sector of rural industry of West Java. Details of the set up and procedure of the energy surveys are expounded in the *fourth section*. This section also provides data on the use of biomass energy in West Java. At the end are appended two summaries in English, each of which discusses the procedures and results of the surveys in rural household and industrial energy sectors in West Java. Both summaries are written by Hadi Soesastro, under whose responsibility all the surveys were conducted, and apparently are meant for non-Indonesian speakers. It is understandable that this 289 page-book constitutes a complete and comprehensive study on rural energy.

RURAL ENERGY BUDGET

The development and use of energy particularly in rural areas should be based on an

overall and integrated energy policy. To formulate the policy it is very important to determine first the structure and amount of the rural energy budget, namely the average energy consumption based on the end use and the kind of energy. This is exactly one of the aims of the CSIS study. Studies on rural energy budgeting have often been conducted by some institutions such as ITB (Bandung Institute of Technology), IPB, DJR, and LPHH. These studies provide important information, although there is a lack of uniformity particularly in terms of exact numbers/prices for Indonesia. This is due to several factors:

1. In calculating the rural energy budget one is to face the problem of non-commercial energy consumption. It is still unclear which non-commercial energy should also be accounted for. Should animate energy be included in the calculation because it plays a major role in rural life, but how should it be accounted for?

2. This has brought about differences in calculating the energy input structure which is needed to calculate the rural energy budget. The higher the non-commercial energy proportion the higher is the energy input rate. In the study by the CSIS the non-commercial energy constitutes 40 per cent of the total energy input, while another study conducted, for example, by Herman Haeruman reveals a figure of 15 per cent. This will certainly affect the implication of the energy policy.

3. The study of rural energy generally considers non-commercial energy supply and consumption as deriving from biomass, namely firewood and agricultural residues, whereas commercial energy is derived from kerosene. A study on biomass energy consumption seems to reveal different outcomes. For Indonesia, it ranges between 0.35-2.53 m^3 per capita annually, which shows a conspicuous variation. Those figures are based on studies conducted in 1956-1979 by 23 surveyors in various parts of Indonesia. It is assumed that the variation was the result of the different conversion factors and efficiency. The differences can be noted in the tables of this book.

ENERGY AND BASIC HUMAN NEEDS

It is interesting to note that any improvement of living standards is necessarily followed by an increase of energy consumption per capita. Palmedo et al. (1978) conducted a research on the relationship between the level of energy consumption per capita and the standards of living. This research was conducted on an international scale by comparing cross country data. In measuring the living standards the Physical Quality of Life Index was used consisting of mortality rate, life expectancy and literacy. Palmedo divides the living standards into 3 parts:

- In accordance with the needs at the subsistence level: 300-400 kce (coal equivalence kg) per capita per annum;
- In accordance with basic human needs: 900-1,000 kce per capita per annum;
- In accordance with a better living standard: more than 1,450 kce per capita per annum.

Palmedo's estimation on Indonesia's energy's consumption in 1978 was 480 kce. To meet the basic human needs the energy consumption per capita should be doubled so as to reach 960 kce. Hence the supply particularly of firewood and kerosene, the basic rural energy needs should be increased. But this will create its own problem. In 1970-1975 there was a large surplus of firewood, but in 1975-1978 the surplus gradually decreased because of the increasing consumption. Whereas kerosene has its own problem in its supply. A quick increase of supply will bring about the rise of cost because it has to be imported -- whereas the price of kerosene cannot be raised drastically. Because it is obvious that a sudden change of supply may lead to an undesired outcome. Therefore, to solve the problem immediately it seems necessary to change the demand structure instead. What needs to be done is to improve the efficiency of energy use, for example, by increasing the efficiency of the cooking stove, so that it will bring about a decrease in firewood and kerosene supply.

SUBSIDY AND EQUITY

The role of firewood and kerosene as rural energy sources has led us to dilemma of choosing the use of either firewood or kerosene. On the one hand there are efforts to decrease the use of firewood because it will lead to deforestation. But this view is still open to question. Howard Dick (1980), for example, said that the deforestation was due to poverty, because the people were compelled to gather firewood to be sold for industry in order to increase their income. According to Otto Sumarwoto (1980) deforestation was due to the rural population who needed more arable land for agriculture. On the other hand, there are attempts to limit the use of kerosene since oil still constitutes the main foreign exchange resource and should accordingly be conserved.

The solution of the problem of firewood and kerosene is related to that of oil subsidy. The subsidy is in fact provided by the government to support lower-income households, because kerosene constitutes one of the main energy needs. Abolishing the subsidy will raise the price of kerosene and may stimulate people to switch back to the use of firewood which will in turn lead to deforestation.

There are several views on kerosene subsidy; Tobing (1979), for example, said that the subsidy should be gradually abolished because only the higher-income and the middle-income population benefited from the subsidy. The kerosene consumption of the higher-income households is 4.4 times that of the lowest-income population. The subsidies could be reallocated to the financing of regreening and reforestation programs. Dick (1980) asserted that subsidy is not related to deforestation because according to him the demand for firewood does not seem to be affected by the price of kerosene. In the short-term the abolition of subsidy will indeed raise the price of firewood, but in the longer-term the increase of kerosene price is an incentive for increased firewood production through reforestation.

Hadi Soesastro (1979) said that the subsidy is consistent with equity, namely that the lower-income households would be provided with the opportunity in kerosene consumption. It will, however, bring about problems, of which one of them is its supply. Strout (1978) showed that the abolition of subsidy would be felt by the urban middle and lower-income population. In the short-term the rural consumers would suffer less than the urban ones because there is enough supply of firewood in rural areas to substitute for kerosene. But in the longer-term the firewood prices would go up, so that the impact would be the same on both the urban and rural population. Bakaruddin (1980) was of the opinion that the impact of the abolition of subsidy would especially be felt by the lower income group because most kerosene consumers are of lower-income (35 per cent of the whole kerosene consumption) and the middle-income population (44 per cent). This opinion is unlike that of Tobing. Based on the opinions above, it is obvious that subsidy is not in line with the policy of equitable distribution, so that a wayout has to be found.

SUGGESTIONS FOR POLICY

Many conclusions may be drawn from the discussions in each chapter of this book. However, some of the conclusions may be brought out here. Some major points that should be highlighted are as follows:

1. The development of the rural areas is inclined to raise kerosene consumption. As to the higher-income population, the increase of the consumption would be in line with the increase of income. Lighting in rural areas likewise is a reflection of consumption. A sudden abolition of subsidy will upset the rural households. This adverse effect may be overcome, for example: (a) by improving its distribution, i.e. the physical infrastructure of its import. One observation revealed that the price of kerosene increased threefold because of the high distribution cost; (b) by reallocating part of the kerosene subsidy to the rural electrification program, which seemed easier to be adjusted to the equitable distribution program. Another alternative is financing the production of firewood through reforestation.

2. It is suggested that efforts should be made to solve the biomass problem, such as improving its quality by making charcoal, which at the same time will stimulate the development of charcoal industry in that village. This would in turn increase the income of the population of the village and the surrounding areas. Another alternative would be improving the efficiency of using firewood stoves.
3. Rural industries often meet obstacles in the supply of basic materials (60%) and fuel (25%); therefore, enterprises using firewood as their main basic materials are vulnerable due to the soaring up of price and to unsmooth distribution. Firewood has increasingly become a commercial commodity, whereas the trend shows that the firewood market has become more and more monopolistic. Hence efforts should be made to improve the operation of the firewood market.

CONCLUSION

There are a lot more interesting issues in this book. By and large it can be said that *Energi dan Pemerataan* has reached its objective, namely, to provide comprehensive information on the surveys conducted and the results thereof. The studies on energy in the rural arcas of West Java have uncovcred actual data of that rcgion which arc thoroughly discussed. Hence it CSIS' attempt to cnrich publications on cnergy in Indonesia, which arc still very rarc, dcscrves appreciation.

Apparcntly, thc CSIS has made dctailed prcparations for thc conduct of thcsc studics on rural cnergy. It started with initial surveys to dctcrminc thc sclcction of villages that may rcprcsent thosc with various lcvcls of dcvelopmcnt in Wcst Java (i.c. traditional villagcs, transitional villagcs, modern villagcs which arc again rcspectivcly catcgorizcd into 5 lcvcls). Thcsc samplc villagcs constitute 1 per ccnt of thc villagcs throughout West Java (4,039 villagcs) so that thc surveys covcr 40 villagcs. To facilitate the surveys 8 villages were selected in each district. The districts were selected on the basis of observable differences in their ecological and geographic characteristics (coastal, highland around urban centres). Of the 40 selected villages it was decided to select 1 per cent of the entire households in each village. The study in the industrial sector was conducted by selecting industries on the basis of energy use and output. The selection of the samples were also determined by consulting secondary data provided by local authorities and institutions.

The CSIS also prepared detailed questionnaires which were designed for the writing of analyses. The whole work was carried out by 25 surveyors for 533 households. Each surveyor took care of 21-22 households and visited them 4 times for 4 consecutive days. One can imagine this study was a large undertaking entirely financed by CSIS.

The survey undertaken by CSIS has contributed a significant share aside from the survey conducted by the Department of Mining (DJK) and that sponsored by USAID. The CSIS experience would encourage further attempts to promote energy research in Indonesia.

The rise of oil prices in early 1984, in which the price of kerosene has risen sharply, has also provided a new theme for further research on energy and equity.

Can Poverty be Eradicated?

Growth and Equity in Indonesian Agricultural Development edited by Mubyarto (Jakarta: Yayasan Agro Ekonomika, 1982), 285 pp. This review article by Entang Sastraatmadja

is translated from *Suara Karya,* 20 May 1983.

This book, consisting of 285 pages and edited by Mubyarto is quite interesting to read. Aside from the fact that it is a collection of writings by agricultural economists throughout Indonesia, it also contains alternatives that might serve as literature on efforts to eradicate poverty. That is why the book is an interesting subject for discussion. No less than 14 experts in economics, sociology, rural development and poverty contribute their share of thoughts. They all agree that growth and equity have to be realized immediately in this independent country.

The collection of essays is divided into 7 interrelated chapters. In Chapter 1 we will find the views of A.T. Birowo and N.A. Sanusi on Economic Development in Indonesia. This sector is very important, especially if it is related to the agricultural sector. At present there are three major factors which indicate that the sector is indeed important. *Firstly,* the agricultural sector absorbs the greatest number of labour force, which according to the data of 1980, stood at about 55 per cent. *Secondly,* the sector gave a significant share of contribution to national income, which was around 25.7 per cent in 1980. *Thirdly,* agricultural products greatly affected national resilience and stabilization, especially in the supply of food and basic materials of domestic processing industry. This is one of the reasons why the agricultural sector has definitely become a priority in the Indonesian economic development (pp. 2, 4, and 6).

The importance of the agricultural sector in Indonesia's economy is indicated by Faisal Kasryno et al. in Chapter 2. They assert that the agricultural sector tend to bring about larger downstream industries compared with the upstream industries. It is evident that for the development of the agricultural sector, the provision of job opportunities, the increase of the peasants' income and the equal distribution of income, it seems necessary to develop an agricultural industry for the processing of its produce.

However, in stepping up agricultural production the sustaining capacity of natural resources and living environment should be preserved and improved. This is perhaps one of the core problems that has been made the central issue by Dibyo Prabowo and Affendi Anwar in Chapter 3, entitled "Managing Natural Resources and Environment."

In Chapter 3 our natural resources and environmental potentials are discussed at length. In view of the fact that agricultural land in Java has increasingly become scanty, its development should be sought outside Java. It is also mentioned that 38 million hectares of swamp constitutes potential land for agricultural activities in the future. It is in this respect that a more in-depth research is needed, which would encompass agronomic and socio-economic aspects.

In Chapter 4 I.B. Teken and Herman Suardi try to expound the policy on Foodstuff, Supply, Demand and its Marketing. It is stated that since Indonesia embarked upon the first *Pelita,* the country has been able to become self-supporting in rice after about 15 years. What still has to be achieved is self-sufficiency in food. To realize this, activities geared towards commercial commodities has to be developed (Chapter 5), which should also be sustained by farming organizations, resource utilization, technology and more prudent employment opportunities (Chapter 6). Thus, provided that these prerequisites are fullfilled, it does not seem impossible that the views of those economists will help eradicate poverty which has inflicted a majority of the Indonesian people.

Perhaps based on this pattern of thoughts Mubyarto, Sajogyo and Tjondronegoro have tried to set forth the problem of poverty, equity and rural development in Chapter 7. It is in this last chapter that we may understand what are really the perceptions of Indonesian agricultural economists on poverty. One of their views is that unequal distribution of income and poverty are basically the result of the lopsided possession of production sources or factors such as land, capital, access to credits and

facilities, relatively simple skills and knowledge. Therefore, if we relate those views to that of Rudolf Sinaga and Benyamin White, it is true that the causes of poverty should absolutely be tackled first. Thereafter we can look for its solution.

Rather than just having no definite answer, it would certainly be better to know the views of the three experts on Indonesia's rural poverty. They say that in overcoming poverty such steps as the following may be taken: providing job opportunities with benevolent wages, equal distribution of sufficiently nutritive food and equitable provision of learning and education for the hitherto backward community. These are the alternatives that have been brought forward.

Poverty, especially in rural areas can only be overcome through development in which are ensured equity, the possession of social and economic institutions by society itself and the minimization of dependence of one group upon another. This latter statement has perhaps strengthened the views of the agricultural economists on the problem of poverty. This is certainly worth contemplating, especially in the attempts to completely eradicate poverty. Whether one is optimistic or pessimistic with regard to those views it is certainly not for the author to judge. It is only due to the thoughts launched by those agricultural economists that it would seem logical if we were also convinced that poverty can be eradicated. It is not an original sin.

Frustrated by the Inability to Adapt

Darul Islam: A Revolt (in Indonesian: Darul Islam -- Sebuah Pemberontakan) by C. van Dijk (Jakarta: Grafiti Pers, 1983), 409 pp. This review article by Mahrus Irsyam is translated from *Optimis,* Oktober 1983.

INTRODUCTION

In the early history of Indonesian politics, rebellions were not uncommon as were obvious from the frequent reports on upheavals by the rural peasantry. Apparently this phenomenon became more conspicuous after the independence of the Republic of Indonesia. The movements launched in the atmosphere of independence were more political in nature, and were bound to involve the rural peasantry since as a rule the movements used the villages as their operational bases.

Darul Islam (D.I.) under the leadership of Kartosuwiryo in West Java was one of such movements. Similar movements eventually broke out in several parts of Indonesia such as in Aceh (headed by Daud Beureueh), Sulawesi (under Kahar Muzakar), and South Kalimantan (under Ibnu Hadjar). Thereafter all those movements were given expression in the form of a united state called Negara Islam Indonesia (Indonesian Islamic State). This D.I. movement was the longest, lasting from 1948 until 1965, when Kahar Muzakar was shot to death by the Indonesian armed forces.

The D.I. movements in several regions constitute van Dijk's materials of study compiled in this book. In fact in this book van Dijk also touches upon various other movements which were assumed to have something to do with the D.I. movement such as those of the *Three Areas* (Pekalongan, Tegal, Brebes), AUI/Sumolangu in Banyumas, Batalion 423 in Kudus, and that of Amir Fatah in Pekalongan. The book is an elaborate comparative study in terms of both its depth and its scope.

Such an elaborate comparative study is set forth in 7 chapters. The first chapter relates the background of Kartosuwiryo's political thoughts and behaviour, debates in the

meetings of the Preparatory Committee for Indonesian Independence (PPKI), and the onset of the independence period. Chapter 2 to Chapter 6 discuss the anatomy of the D.I. movements in West Java, Sulawesi, South Kalimantan, and Aceh. In Chapter 7 (the last) van Dijk queeries "Why do people participate in the Darul Islam movement?" He tries to analyze the issue by studying some factors such as the reorganization of the army, regional sentiments, interference in the fields of economy, traditional authority, and religion. In his view all those factors are interrelated, mutually influencing and interdependent.

ODDITY

In Chapter 1 van Dijk clearly depicts how the political behaviour and thoughts on *hijrah* and *jihad* had influenced Kartosuwiryo who wanted to establish an Islamic State. But it seems odd that the sub-chapters are continued by special chapters on the conflict between the Islamic and the non-Islamic groups in the PPKI meetings. As is known the conflict in the PPKI was concerned with the issue of the Islamic state vs. the secular state. It seems that van Dijk tries to put the Islamic elite at the national level parallel with that of the region (D.I.), in its efforts to set up an Islamic state. Seen from the time perspective the events in the PPKI meetings may indeed be placed in a cronological order after discussing Kartosuwiryo's background. History, however, does not only record events in cronological order. It also determines which events are comparable in terms of quality. Van Dijk's attempt to compare the idea of the Islamic state that evolved in the PPKI meetings with the one growing in Kartosuwiryo's mind (which eventually developed into the D.I. rebellion) seems to be too dramatized if not trumped up.

Essentially there were very basic differences between the institution of PPKI and that of Kartosuwiryo, in which he developed his idea. *Firstly,* the PPKI meeting forum was a legal political institution in which any political elite (including that of the Islamic group) had the legal right to bring forward its aspiration. It happened that the aspiration forwarded by the Islamic elite was based on Islam, on which the group came to a compromise in the process thereafter by omitting seven words that might give rise to disputes in the future. While on the other hand, the D.I. under Kartosuwiryo and his followers attempted to establish an Islamic state illegally, namely, through armed rebellion against the government of the Republic of Indonesia.

Secondly, further developments revealed that there was no correlation between the national elite group and the D.I. movement as depicted in this book. *Thirdly,* the PPKI forum abided by rules of the game, political norms and ethics while the D.I. movement was not bound by or did not even recognize the existing rules of the game, norms and ethics in both society and the national government.

Hence comparing them with each other so as to infer that the Islamic elite at the national level and at the regional level such as that of the D.I. were a sequel of thoughts is psuedo-analytic thinking. Although both of them brought forward their thoughts on Islamic state it seems difficult to assert that they are identical.

RELIGION?

It seems that van Dijk's conclusion that religion was the cause of the rebellion is different from that of Karl Jackson's study. Van Dijk places more emphasis on the fact that religion was the main agent in bringing about the Islamic rebellion of D.I. (p. 369). While K. Jackson, who through a field study, devided his samples into 2 categories, i.e. the republic village and the D.I. village, came to the conclusion that there was no correlation between religion and political behaviour (p. 370).

Although van Dijk excellently expounds the sequel of events, he does not seem to be keen enough to determine when the D.I. movement could be given the Islamic *label.* On closer examination one will come to the conclusion that the Islamic *label* came up when frustrated, dejected, and disappointed the move-

ment met with a variety of problems that seemed to have no way out. Apparently the new system which had replaced the collapsed colonial system brought about new values and behavioral norms while limiting their liberty of movement and ruling out pride and priviliges, which had been theirs when they were still in the army. Hence the conflict evolved around matters of reorganization and rationalization, promotions, rivalries of leadership, personal ambition, counter promises, and the like. They were unable to cope with the sources of conflict and conflict within themselves or in their group.

It was exactly in this anomalic condition, in which a new system was perceived as having no way out, that the Islamic *label* was used by exploiting and manipulating Islamic symbols. The use of the Islamic symbols in the D.I. movement implied two aspects. *Firstly,* Islam served as a mental and psychological compensation for the shock caused by the inability to absorb the new values brought about by the new system which had replaced the colonial one they had participated in overthrowing. *Secondly,* Islam was used by the D.I. movement as a symbol to obtain social legitimacy and socio-political support from the villagers in the D.I.'s rural bases and the people the D.I. counted on.

It was exactly in the context of that transformation, which had brought about despair and disappointment, that Islam was made a haven to protect and justify their stand in their rebellion against the new system and values. It is in this regard that Islam played a major role in the D.I. rebellion, and that one would understand why the D.I. rebels burned down mosques, prayer houses, and killed fellow Moslems. They were motivated not by Islam but by the frustration as a result of their inability to absorb the new system and values.

Statistics

The appended tables are extracted from State Budget 1984/1985

Revenues and Expenditures

Finance and Investment

Oil and Gas

Others

Table 1

STATE REVENUE ESTIMATE IN FISCAL YEAR 1984/1985
(in million rupiahs)

Kinds of Revenues			Total
A. DOMESTIC REVENUES			16,149,400
I. Revenues from Oil and Natural Gas		10,366,600	
1. Tax on Oil Products		8,895,100	
2. Tax on Natural Gas Products		1,471,500	
II. Revenues Aside from Oil and Natural Gas		5,782,800	
1. Income Tax		2,451,000	
1.1 Personal Income Tax	577,600		
- Work income tax	(407,900)		
- Enterprise and work	(169,700)		
1.2 Corporate Income Tax	1,873,500		
- State owned corporation	(496,800)		
- Private corporation	(754,100)		
- Levies on enterprise activities	(442,200)		
- Tax on interest dividents, royalty, etc.	(180,400)		
2. Value Added Tax on Goods and Services and Sales Tax on Luxurious Goods		958,200	
3. Customs Duties and Excise Taxes		1.408,900	
3.1 Custom duty	681,400.		
3.2 Exise tax	727,500		
- Tobacco exise tax	(654,500)		
- Other exise tax	(73,000)		
4. Export Tariff		123,600	
5. Other Taxes		75,400	
6. Regional Land Tax (Ipeda)		150,600	
7. Non-Tax Revenues		615,000	
B. DEVELOPMENT REVENUES			4,411,000
1. Program Aid		39,500	
2. Project Aid		4,371,500	
TOTAL			20,560,400

Table 2

ROUTINE EXPENDITURES BY SECTOR/SUB-SECTOR, 1984/1985
(in thousand rupiahs)

Code Number	Sector/Sub-Sector	Total
I.	SECTOR OF AGRICULTURAL AND IRRIGATIONAL	40,686,746.0
I.1	Sub-Sector of Agriculture	34,231,129.0
I.2	Sub-Sector of Irrigation	6,455,617.0

2.	SECTOR OF INDUSTRY	5,907,315.0
2.1	Sub-Sector of Industry	5,907,315.0
3.	SECTOR OF MINING AND ENERGY	13,112,450.0
3.1	Sub-Sector of Mining	12,621,900.0
3.2	Sub-Sector of Energy	490,550.0
4.	SECTOR OF COMMUNICATION AND TOURISM	71,884,830.0
4.1	Sub-Sector of Road Infrastructure	5,075,398.0
4.2	Sub-Sector of Land Communication	11,053,067.0
4.3	Sub-Sector of Sea Communication	35,578,275.0
4.4	Sub-Sector of Air Communication	18,222,606.0
4.5	Sub-Sector of Post and Telecommunication	362,084.0
4.6	Sub-Sector of Tourism	1,593,400.0
5.	SECTOR OF TRADE AND COOPERATIVES	24,581,932.0
5.1	Sub-Sector of Trade	12,660,094.0
5.2	Sub-Sector of Cooperatives	11,921,838.0
6.	SECTOR OF LABOUR FORCE AND TRANSMIGRATION	28,497,541.0
6.1	Sub-Sector of Labour Force	18,158,857.0
6.2	Sub-Sector of Transmigration	10,338,684.0
7.	SECTOR OF THE REGIONS/REGIONAL, VILLAGE AND URBAN DEVELOPMENT	1,821,636,758.0
7.1	Sub-Sector of the Regions/Regional, Village and Urban Development	1,821,636,758.0
8.	SECTOR OF RELIGION	30,231,097.0
8.1	Sub-Sector of Religion	30,231,097.0
9.	SECTOR OF EDUCATION, YOUNGER GENERATION, NATIONAL CULTURE AND THE BELIEF TO THE ONE SUPREME GOD	532,083,172.0
9.1	Sub-Sector of General Education and Younger Generation	512,683,425.0
9.2	Sub-Sector of Service Education	14,145,113.0
9.3	Sub-Sector of National Culture and the Belief to the One Supreme God	5,254,634.0
10.	SECTOR OF HEALTH, SOCIAL WELFARE, ROLE OF WOMEN, POPULATION AND FAMILY PLANNING	95,075,691.0
10.1	Sub-Sector of Health	63,493,503.0
10.2	Sub-Sector of Social Welfare and the Role of Women	15,122,448.0
10.3	Sub-Sector of Population and Family Planning	16,459,740.0
11.	SECTOR OF PEOPLE'S HOUSING AND RESIDENCES	4,592,028.0
11.1	Sub-Sector of People's Housing and Residences	4,592,028.0
12.	SECTOR OF LAW	109,683,445.0
12.1	Sub-Sector of Law	109,683,445.0
13.	SECTOR OF NATIONAL DEFENCE AND SECURITY	1,362,468,000.0
13.1	Sub-Sector of National Defence and Security	1,362,468,000.0
14.	SECTOR OF INFORMATION, PRESS AND SOCIAL COMMUNICATION	41,670,600.0
14.1	Sub-Sector of Information, Press and Social Communication	41,670,600.0
15.	SECTOR OF SCIENCE, TECHNOLOGY AND RESEARCH	36,575,998.0

15.1	Sub-Sector of Research	36,575,998.0
16.	SECTOR OF GOVERNMENT APPARATUS	5,882,412,397.0
16.1	Sub-Sector of Government Apparatus	508,891,251.0
16.2	Sub-Sector of the State's Highest Institution	8,299,200.0
16.3	Sub-Sector of the State Finance	5,365,221,946.0
	TOTAL	10,101,100,000.0

Table 3

DEVELOPMENT EXPENDITURES BY SECTOR/SUB-SECTOR, 1984/1985
(in thousand rupiahs)

Code Number	Sector/Sub-Sector	Rupiah	Rupiah Value Project Aid/ Technical, Export Credits and Bond	Total
1.	SECTOR OF AGRICULTURAL AND IRRIGATIONAL	872,105,700	529,608,000	1,401,713,700
1.1	Sub-Sector Agriculture	606,705,700	276,696,000	883,401,700
1.2	Sub-Sector Irrigation	265,400,000	252,912,000	518,312,000
2.	SECTOR OF INDUSTRY	123,233,000	526,829,000	650,062,000
2.1	Sub-Sector of Industry	123,233,000	526,829,000	650.062,000
3.	SECTOR OF MINING AND ENERGY	328,677,700	972,202,000	1,300,879,700
3.1	Sub-Sector of Mining	33,125,000	242,502,000	275,627,000
3.2	Sub-Sector of Energy	295,552,700	729,700,000	1,025,252,700
4.	SECTOR OF COMMUNICATION AND TOURISM	631,291,300	760,816,000	1,392,107,300
4.1	Sub-Sector of Road Infrastructure	343,388,800	249,156,400	592,545,200
4.2	Sub-Sector of Land Communication	65,810,000	170,829,500	236,639,500
4.3	Sub-Sector of Sea Communication	100,347,000	174,078,000	274,425,000
4.4	Sub-Sector of Air Communication	89,280,000	99,943,000	189,223,000
4.5	Sub-Sector of Post and Telecommunication	9,490,000	61,201,000	70,691,000
4.6	Sub-Sector of Tourism	22,975,500	5,608,100	28,583,600
5.	SECTOR OF TRADE AND COOPERATIVES	77,154,000	49,902,000	127,056,000
5.1	Sub-Sector of Trade	46,552,000	12,030,000	58,582,000
5.2	Sub-Sector of Cooperatives	30,602,000	37,872,000	68,474,000
6.	SECTOR OF LABOUR FORCE AND TRANSMIGRATION	524,550,000	150,510,000	675,060,000
6.1	Sub-Sector of Labour Force	78,185,000	20,111,400	98,296,400
6.2	Sub-Sector of Transmigration	446,365,000	130,398,600	576,763,600
7.	SECTOR OF THE REGIONS/REGIONAL, VILLAGE AND URBAN DEVELOPMENT	767,525,000	42,334,000	809,859,000
7.1	Sub-Sector of the Regions/Regional, Village and Urban Development	767,525,000	42,334,000	809,859,000

8.	SECTOR OF RELIGION	61,665,000	1,200,000	62,865,000
8.1	Sub-Sector of Religion	61,665,000	1,200,000	62,865,000
9.	SECTOR OF EDUCATION, YOUNGER GENERATION, NATIONAL CULTURE AND THE BELIEF TO THE ONE SUPREME GOD	1,217,224,000	284,705,000	1,501,929,000
9.1	Sub-Sector of General Education and Younger Generation	1,113,398,000	241,481,000	1,354,879,000
9.2	Sub-Sector of Service Education	74,276,000	25,184,000	99,460,000
9.3	Sub-Sector of National Culture and the Belief to the One Supreme God	29,550,000	18,040,000	47,590,000
10.	SECTOR OF HEALTH, SOCIAL WELFARE, ROLE OF WOMEN, POPULATION AND FAMILY PLANNING	286,037,000	121,961,000	407,998,000
10.1	Sub-Sector of Health	177,803,000	75,497,000	253,300,000
10.2	Sub-Sector of Social Welfare and the Role of Women	53,234,000	4,503,000	57,737,000
10.3	Sub-Sector of Population and Family Planning	55,000,000	41,961,000	96,961,000
11.	SECTOR OF PEOPLE'S HOUSING AND RESIDENCES	233,927,000	198,801,000	432,728,000
11.1	Sub-Sector of People's Housing and Residences	233,927,000	198,801,000	432,728,000
12.	SECTOR OF LAW	79,202,600	1,197,400	80,400,000
12.1	Sub-Sector of Law	79,202,600	1,197,400	80,400,000
13.	SECTOR OF NATIONAL DEFENCE AND SECURITY	380,197,000	317,564,600	697,761,600
13.1	Sub-Sector of National Defence and Security	380,197,000	317,564,600	697,761,600
14.	SECTOR OF INFORMATION, PRESS AND SOCIAL COMMUNICATION	47,996,300	19,100,000	67,096,300
14.1	Sub-Sector of Information, Press and Social Communication	47,996,300	19,100,000	67,096,300
15.	SECTOR OF SCIENCE, TECHNOLOGY AND RESEARCH	116,722,000	89,228,000	205,950,000
15.1	Sub-Sector of Science and Technology Development	29,317,000	44,412,000	73,729,000
15.2	Sub-Sector of Research	87,405,000	44,816,000	132,221,000
16.	SECTOR OF GOVERNMENT APPARATUS	157,498,400	4,500,000	161,998,400
16.1	Sub-Sector of Government Apparatus	157,498,400	4,500,000	161,998,400
17.	SECTOR OF BUSINESS DEVELOPMENT	26,150,000	200,742,000	226,892,000
17.1	Sub-Sector of Business Development	26,150,000	200,742,000	226,892,000
18.	SECTOR OF NATURAL RESOURCES AND LIVING ENVIRONMENT	156,644,000	100,300,000	256,944,000
18.1	Sub-Sector of Natural Resources and Living Environment	156,644,000	100,300,000	256,944,000
	TOTAL	6,087,800,000	4,371,500,000	10,459,300,000

Table 4

DOMESTIC REVENUES, 1969/1970 - 1984/1985
(in billion rupiahs)

Fiscal Year	Total	Increase	
		Total	Percentage
PELITA I			
1969/1970	243.7	—	—
1970/1971	344.6	+ 100.9	+ 41.4
1971/1972	428.0	+ 83.4	+ 24.2
1972/1973	590.6	+ 162.6	+ 38.0
1973/1974	967.7	+ 377.1	+ 63.9
PELITA II			
1974/1975	1,753.7	+ 786.0	+ 81.2
1975/1976	2,241.9	+ 488.2	+ 27.8
1976/1977	2,906.0	+ 664.1	+ 29.6
1977/1978	3,535.4	+ 629.4	+ 21.7
1978/1979	4,266.1	+ 730.7	+ 20.7
PELITA III			
1979/1980	6,696.8	+ 2,430.7	+ 57.0
1980/1981	10,227.0	+ 3,530.2	+ 52.7
1981/1982	12,212.6	+ 1,985.6	+ 19.4
1982/1983	12,418.3	+ 205.7	+ 1.7
1983/1984 [1]	13,823.6	+ 1,405.3	+ 11.3
PELITA IV			
1984/1985 [2]	16,149.4	+ 2,325.8	+ 16.8

[1] State Budget.

[2] Draft State Budget.

Table 5

REVENUES FROM OIL AND NATURAL GAS, 1969/1970-1984/1985
(in billion rupiahs)

Fiscal Year	Income Tax Oil and Natural Gas	Other Oil Revenues	Total	Increase	
				Total	Percentage
PELITA I					
1969/1970	48.3	17.5	65.8	—	—
1970/1971	68.8	30.4	99.2	+ 33.4	+ 50.8
1971/1972	112.5	28.2	140.7	+ 41.5	+ 41.8
1972/1973	198.9	31.6	230.5	+ 89.8	+ 63.8
1973/1974	344.6	37.6	382.2	+ 151.7	+ 65.8
PELITA II					
1974/1975	973.1	- 15.9	957.2	+ 575.0	+ 150.4
1975/1976	1,249.1	- 1.1	1,248.0	+ 290.8	+ 30.4
1976/1977	1,619.4	15.9	1,635.3	+ 387.3	+ 31.0
1977/1978	1,948.7	—	1,948.7	+ 313.4	+ 19.2
1978/1979	2,308.7	—	2,308.7	+ 360.0	+ 18.5
PELITA III					
1979/1980	4,259.6	—	4,259.6	+ 950.9	+ 84.5
1980/1981	7,019.6	—	7,019.6	+ 2,760.0	+ 64.8
1981/1982	8,627.8	—	8 627.8	+ 1,608.2	+ 22.9
1982/1983	8,170.4	—	8,170.4	457.4	5.3
1983/1984 [1]	8,869.1	—	8,869.1	+ 698.7	+ 8.6
PELITA IV					
1984/1985 [2]	10,366.6	—	10,366.6	+ 1,497.5	+ 16.9

[1] State Budget.

[2] Draft State Budget.

Table 6

REVENUES FROM OTHER THAN OIL AND NATURAL GAS, 1969/1970 - 1984/1985 (in billion rupiahs)

Fiscal Year	Total	Increase	
		Total	Percentage
PELITA I			
1969/1970	177,9	—	—
1970/1971	245.4	+ 67.5	+ 37,9
1971/1972	287,3	+ 41.9	+ 17.1
1972/1973	360.1	+ 72.8	+ 25.3
1973/1974	585.5	+ 225.4	+ 62.6
PELITA II			
1974/1975	796.5	+ 211.0	+ 36.0
1975/1976	993.9	+ 197,4	+ 24.8
1976/1977	1.270.7	+ 276.8	+ 27.8
1977/1978	1,586.7	+ 316.0	+ 24.9
1978/1979	1,957.4	+ 370.7	+ 23.4
PELITA III			
1979/1980	2.437,2	+ 479.8	+ 24.5
1980/1981	3.207.4	+ 770.2	+ 31.6
1981/1982	3.584.8	+ 377,4	+ 11.8
1982/1983	4,247.9	+ 663.1	+ 18.5
1983/1984 [1]	4.954.5	+ 706.6	+ 16.6
PELITA IV			
1984/1985 [2]	5,782.8	+ 828.3	+ 16,7

[1] State Budget.

[2] Draft State Budget.

Table 7

FOREIGN AID, 1969/1970 - 1984/1985 (in billion rupiahs)

Fiscal Year	Program Aid	Project Aid	Total	Increase	
				Total	Percentage
PELITA I					
1969/1970	65.7	25.3	91.0	—	—
1970/1971	78.9	41.5	120.4	+ 29.4	+ 32.3
1971/1972	90.5	45.0	135.5	+ 15.1	+ 12.5
1972/1973	95.5	62.3	157.8	+ 22.3	+ 16.5
1973/1974	89.8	114.1	203.9	+ 46.1	+ 29.2
PELITA II					
1974/1975	36.1	195.9	232.0	+ 28.1	+ 13.8
1975/1976	20.2	471.4	491.6	+ 259.6	+ 111.9
1976/1977	10.2	773.6	783.8	+ 292.2	+ 59.4
1977/1978	35.8	737.6	773.4	- 10.4	- 1.3
1978/1979	48.2	987.3	1,035.5	+ 262.1	+ 33.9
PELITA III					
1979/1980	64.8	1,316.3	1,381.1	+ 345.6	+ 33.4
1980/1981	64.1	1,429.7	1,493.8	+ 112.7	+ 8.2
1981/1982	45.1	1,663.9	1,709.0	+ 215.2	+ 14.4
1982/1983	15.1	1,924.9	1,940.0	+ 231.0	+ 13.5
1983/1984[1]	5.0	2,736.8	2,741.8	+ 801.8	+ 41.3
PELITA IV					
1984/1985[2]	39.5	4,371.5	4,411.0	+ 1,669.2	+ 60.9

[1] State Budget.

[2] Draft State Budget.

Table 8

GOVERNMENT SAVINGS, 1969/1970 - 1984/1985
(in billion rupiahs)

Fiscal Year	Total	Increase	
		Total	Percentage
PELITA I :			
1969/1970	27.2	—	—
1970/1971	56.4	+ 29.2	+107.4
1971/1972	78.9	+ 22.5	+ 39.9
1972/1973	152.5	+ 73.6	+ 93.3
1973/1974	254.4	+ 101.9	+ 66.8
PELITA II :			
1974/1975	737.6	+ 483.2	+189.9
1975/1976	909.3	+ 171.7	+ 23.3
1976/1977	1.276.2	+ 366.9	+ 40.3
1977/1978	1.386.5	+ 110.3	+ 8.6
1978/1979	1.522.4	+ 135.9	+ 9.8
PELITA III :			
1979/1980	2.635.0	+1.112.6	+ 73.1
1980/1981	4.427.0	+1.792.0	+ 68.0
1981/1982	5.235.0	+ 808.0	+ 18.3
1982/1983	5.422.0	+ 187.0	+ 3.6
1983/1984 [1]	6.548.5	+1.126.5	+ 20.8
PELITA IV :			
1984/1985 [2]	6.048.3	— 500.2	— 7.6

[1] State Budget.

[2] Draft State Budget.

Table 9

RATIO OF GOVERNMENT SAVINGS AND FOREIGN AID
TO DEVELOPMENT BUDGET, 1969/1970 - 1984/1985

Fiscal Year	Development Budget[1] (in billion rupiahs)	Financed by	
		Government Savings (%)	Foreign Aid (%)
PELITA 1			
1969/1970	118,2	23,0	77,0
1970/1971	176.8	31,9	68,1
1971/1972	214.4	36,8	63,2
1972/1973	310.3	49,1	50,9
1973/1974	458.3	55.5	44.5
PELITA II			
1974/1975	969.6	76,1	23,9
1975/1976	1,400,9	64,9	35,1
1976/1977	2,060,0	62,0	38,0
1977/1978	2,159.9	64,2	35,8
1978/1979	2,557.9	59,5	40.5
PELITA III			
1979/1980	4,016,1	65,6	34,4
1980/1981	5,920,8	74,8	25,2
1981/1982	6,944,0	75,4	24,6
1982/1983	7,362.0	73,6	26,4
1983/1984 [2]	9.290,3	70,5	29,5
PELITA IV			
1984/1985 [3]	10,459,3	57,8	42,2

[1] Including the Budget Surplus.

[2] State Budget.

[3] Draft State Budget.

Table 10

DEVELOPMENT EXPENDITURES, 1969/1970 - 1984/1985[1] (in billion rupiahs)

Fiscal Year	Total	Increase	
		Total	Percentage
PELITA I :			
1969/1970	92.9	—	—
1970/1971	128.1	+ 35.2	+ 37.9
1971/1972	150.9	+ 22.8	+ 17.8
1972/1973	235.9	+ 85.0	+ 56.3
1973/1974	336.8	+ 100.9	+ 42.8
PELITA II :			
1974/1975	765.9	+ 429.1	+ 127.4
1975/1976	926.3	+ 160.4	+ 20.9
1976/1977	1.280.9	+ 354.6	+ 38.3
1977/1978	1,419.2	+ 138.3	+ 10.8
1978/1979	1,568.3	+ 149.1	+ 10.5
PELITA III :			
1979/1980	2,697.9	+ 1,129.6	+ 72.0
1980/1981	4,486.4	+ 1,788.5	+ 66.3
1981/1982	5.276.2	+ 789.8	+ 17.6
1982/1983	5.434.7	+ 158.5	+ 3.0
1983/1984 [2)]	6,553.5	+ 1.118.8	+ 20.6
REPELITA IV :			
1984/1985 [3)]	6,087.8	— 465.7	— 7.1

[1] Aside from project aid.

[2] State Budget.

[3] Draft State Budget.

Table 1

TOTAL OF CIRCULATED MONEY, 1969/1970 - 1983/1984 (in billion rupiahs)

End of Period		Curreney	%	Demand Deposits	%	Total	Change	Change Pereentage
1969/1970	Mareh	126,3	60	84,4	40	210.7	+ 79.9	+ 61.1
1970/1971	Mareh	166.8	62	103.4	38	270.2	+ 59.5	+ 28.2
1971/1972	Mareh	210.3	58	150.0	42	360.3	+ 90,1	+ 33.3
1972/1973	Mareh	291.1	55	239.2	45	530.3	+ 170.0	+ 47.2
1973/1974	Mareh	421,1	54	363.2	46	784.3	+ 254.0	+ 47.9
1974/1975	Mareh	538.5	52	488.6	48	1,027.1	+ 242.8	+ 31.0
1975/1976	March	659.2	46	768.7	54	1.427.9	+ 400.8	+ 39.0
1976/1977	Mareh	853.4	47	962.0	53	1815.4	+ 387.5	+ 27.1
1977/1978	Mareh	1,035,8	49	1,075.1	51	2,110.9	+ 295.5	+ 16.3
1978/1979	March	1,368.7	49	1,431.2	51	2,799.9	+ 689.0	+ 32.6
1979/1980	March	1.773.9	47	2,023,2	53	3,797.1	+ 997.2	+ 35.6
1980/1981	Mareh	2,228.7	43	2,985.4	57	5,214.1	+ 1,417.0	+ 37.3
1981/1982	Mareh	2,541.3	38	4,233.4	62	6.774.7	+ 1,560.6	+ 29.9
1982/1983	June	2,642.8	37	4,527.7	63	7,170.5	+ 395,8	+ 5.8
	September	2.826.0	37	4,766.6	63	7,592.6	+ 422.1	+ 5.9
	Deeember	2,934.3	41	4,187.1	59	7,121.4	— 471.2	— 6,2
	March	3,000.7	41	4,378.7	59	7.379.4	+ 258.0	+ 3.6
	Cumulative	—	—	—	—	—	+ 604.7	+ 8.9
1983/1984	April	2,984.0	42	4,038.9	58	7,022.9	— 356.5	— 4,8
	May	3,075,6	42	4,196,7	58	7,272.3	+ 249.4	+ 3.6
	June	3.286.4	44	4,221.7	56	7,508.1	+ 235.8	+ 3.2
	July[1]	3,367.7	43	4,375.1	57	7,742.8	+ 234.7	+ 3.1
	August[1]	3,253.1	42	4,420.1	58	7,673.2	— 69.6	— 0.9
	September[1]	3,319.1	42	4,492.7	58	7,811.8	+ 138.6	+ 1.8

[1] Provisional figures.

Table 12

BANKING FUND, 1972/1973 - 1983/1984 (in billion rupiahs)

	1972/1973	1973/1974	1974/1975	1975/1976	1976/1977	1977/1978	1978/1979	1979/1980	1980/1981
	March	March	March	March	March	March	March	March	March
I. Government Banks	353.7	547.9	748.2	1,211.2	1,530.8	1,681.1	2,023.4	3,109.0	4,201.1
Clearing	200.8	319.4	373.7	813.3	771.5	834.1	1,138.1	2,138.5	2,974.2
Deposits	123.5	194.0	324.8	521.3	649.2	696.9	712.1	766.4	943.6
Savings	29.1	34.5	49.9	78.8	109.8	150.1	173.2	208.1	283.3
II. Private National Banks	50.9	91.4	121.3	183.3	238.9	309.7	424.3	628.9	957.9
Clearing	34.7	70.3	88.3	134.2	167.2	213.5	301.2	453.9	658.7
Deposits	14.3	17.8	29.3	43.7	63.8	83.8	107.0	152.1	281.9
Savings	1.9	3.3	3.7	5.4	7.9	12.6	16.1	22.9	37.3
III. Branches of Foreign Banks	73.2	143.0	175.0	206.8	221.0	245.7	297.3	454.8	518.5
Clearing	45.1	85.8	115.3	129.5	124.6	125.4	193.7	288.4	293.0
Deposits	25.1	57.2	59.7	77.1	98.4	120.2	103.5	188.1	225.4
Savings	—	—	—	—	—	0.1	0.1	0.1	0.1
IV. Sub-total (II+III)	124.1	234.4	298.3	389.9	459.9	555.4	721.8	1,083.5	1,476.4
Clearing	82.5	156.1	203.6	283.7	291.8	338.9	494.9	720.3	951.7
Deposits	39.4	75.0	89.0	120.8	180.2	203.5	210.5	340.2	457.3
Savings	1.9	3.3	3.7	5.4	7.9	12.7	16.2	23.0	37.4
V. Grand Total (I+IV)	477.8	782.3	1,044.5	1,801.1	1,990.7	2,236.5	2,745.0	4,192.5	5,877.5
Clearing	283.8	475.5	577.3	877.0	1,063.8	1,173.0	1,631.0	2,556.5	3,925.9
Deposits	183.2	289.0	413.8	842.1	809.4	900.7	922.8	1,106.8	1,430.9
Savings	31.0	37.5	55.8	82.0	117.7	162.8	191.4	229.1	320.7

Table 12 (continued)

	1981/1982	1982/1983				1983/1984			
	March	June	Sept.	Des.	March	June	July	August	Sept.[1]
I. Government Banks	5,564.0	5,763.5	5,896.3	5,453.4	6,188.5	6,314.1	6,583.5	6,763.0	7,024.3
Clearing	4,115.2	4,277.0	4,419.3	3,905.1	4,467.3	4,229.7	4,291.6	4,320.4	4,326.7
Deposits	1,110.5	1,099.0	1,133.5	1,180.6	1,320.6	1,636.1	1,843.1	2,040.5	2,298.7
Savings	338.3	387.5	343.5	367.7	400.6	448.3	448.8	402.1	398.9
II. Private National Banks	1,280.1	1,443.6	1,614.3	1,720.2	1,749.4	2,074.6	2,253.5	2,282.6	2,393.6
Clearing	784.9	867.2	952.0	993.8	911.2	1,094.2	1,207.3	1,188.9	1,237.7
Deposits	441.4	520.5	599.6	658.8	765.9	903.7	964.8	1,009.8	1,068.6
Savings	53.8	55.9	62.7	67.6	72.3	76.7	81.4	83.9	87.3
III. Branches of Foreign Banks	765.9	856.9	923.2	967.4	1,308.8	1,297.7	1,311.4	1,323.3	1,316.8
Clearing	326.1	357.1	353.9	375.8	516.1	507.2	488.5	493.2	490.4
Deposits	439.6	499.6	569.2	591.5	792.6	790.3	822.7	829.9	826.2
Savings	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2
IV. Sub-total (II+III) :	2,046.0	2,300.5	2,537.5	2,687.6	3,058.2	3,372.3	3,564.9	3,605.9	3,710.4
Clearing	1,111.0	1,224.3	1,305.9	1,369.6	1,427.3	1,601.4	1,695.8	1,682.1	1,728.1
Deposits	881.0	1,020.1	1,168.8	1,250.3	1,558.5	1,694.0	1,787.5	1,839.7	1,894.8
Savings	54.0	56.1	62.8	67.7	72.4	76.9	81.6	84.1	87.5
V. Grand Total (I+IV)	7,610.0	8,604.0	8,433.8	8,141.0	9,246.7	9,686.4	10,148.4	10,368.9	10,734.7
Clearing	5,226.2	5,501.3	5,725.2	5,274.7	5,894.6	5,831.1	5,987.4	6,002.5	6,054.8
Deposits	1,991.5	2,119.1	2,302.3	2,430.9	2,879.1	3,330.1	3,630.6	3,880.2	4,193.5
Savings	392.3	443.6	406.3	435.4	473.0	525.2	530.4	486.2	486.4

[1] Provisional figures.

Table 13

BANKING CREDITS BY GOVERNMENT AND PRIVATE SECTORS, 1969/1970 - 1983/1984
(in billion rupiahs)

Sector	1969/1970	1970/1971	1971/1972	1972/1973	1973/1974	1974/1975	1975/1976	1976/1977	1977/1978	1978/1979
	March	March	March	March	March	March	March	March	March	March
Bank Indonesia[1]	71.3	81.3	86.0	125.5	135.6	177.5	263.8	344.9	343.4	1,968.4
Government sector[2]	69.2	78.4	82.8	122.0	131.4	174.1	259.8	342.0	339.1	1,948.7
Private sector	2.1	2.9	3.2	3.6	4.2	3.4	4.0	2.9	4.3	19.7
Government banks	163.1	252.6	373.9	469.8	815.2	1,111.0	1,518.8	1,868.9	2,186.8	2,696.1
Self liquidity	71.9	137.4	221.0	301.4	537.8	685.9	1,007.6	1,173.6	1,641.6	1,882.5
Government sector	7.1	21.0	44.5	11.0	37.6	71.3	103.9	119.1	199.3	206.5
Private sector	64.8	116.4	176.5	290.4	500.2	614.6	903.7	1,054.5	1,442.3	1,676.0
Bank Indonesia liquidity	91.2	115.2	152.9	168.4	277.4	423.1	508.2	693.3	543.2	813.6
Government sector	49.7	58.8	37.2	59.1	103.9	202.9	312.1	428.5	410.8	558.9
Private sector	41.5	76.4	95.7	109.3	173.5	222.2	196.1	266.8	134.4	254.7
Private national banks	22.0	27.5	34.6	55.1	71.7	98.1	149.0	210.9	285.7	381.8
Self liquidity	20.8	24.2	27.6	48.7	66.7	93.1	140.4	199.2	273.8	347.2
Government sector	–	–	–	1.9	2.6	3.2	3.3	4.0	4.0	5.3
Private sector	20.8	24.2	27.6	46.8	64.1	89.9	136.9	195.2	269.8	341.9
Bank Indonesia liquidity	1.2	3.3	7.0	6.4	5.0	5.0	8.6	11.7	11.9	34.6
Private sector	1.2	3.3	7.0	6.4	5.0	5.0	8.6	11.7	11.9	34.6
Branches of foreign banks[3]	3.5	11.2	15.8	34.2	63.7	63.3	78.9	99.2	144.0	207.1
Government sector	–	–	–	–	–	–	1.6	1.3	0.4	1.7
Private sector	3.5	11.2	15.8	34.2	63.7	63.3	74.3	97.9	143.6	203.4
I. Total of rupiah credits[4]	259.9	372.6	510.0	684.6	1,086.2	1,449.9	2,004.8	2,323.9	2,959.9	5,253.4
Government sector	126.0	138.2	184.8	194.0	278.5	451.8	680.9	894.9	953.6	2,721.1
Private sector	133.9	234.4	325.5	490.6	810.7	998.1	1,323.6	1,629.0	2,006.3	2,532.3
II. Foreign currency credits	–	5.6	23.9	55.2	127.4	304.8	954.2	1,193.2	1,115.2	386.7

[1] Direct credits from the Bank of Indonesia.

[2] As of March 1979 foreign currency loan (in rupiahs) to Pertamina is included.

[3] Self liquidity.

Table 13 (continued)

Sector	1979/1980	1980/1981	1981/1982	1982/1983				1983/1984					
	March	March	March	June	Sept.	Dec.	March	April	May	June	July	August	Sept.[5]
Bank Indonesia[1]	2,009.1	2,313,3	2,632.7	2,713.4	2,862.4	2,770,8	2,388,1	2,334,6	2,251,9	2,293,5	2,307.4	2,287.6	2,362,1
Government sector[2]	1,937,8	2,273,7	2,588.0	2,628.1	2,772,9	2,667,8	2,262,1	2,263,8	2·172,8	2,200,7	2,217.0	2,198,7	2,268,1
Private sector	21.3	39,8	74.7	87.3	79.3	103,0	126.0	80,7	79,4	92,8	90,4	88,8	94.0
Government banks	5,113,4	4,317.4	5,943.8	6,827.4	7,177,4	7,475.4	8,041.1	8,010,0	8,116.2	8,513,2	8,441,1	8,578,2	8,704.2
Self liquidity	1,780,9	2,546,6	3,173.1	3,585.0	3,836,1	3,984,2	4,147,3	4,128,0	4,170,6	4,373,3	4,371,8	4,331,6	4,623,6
Government sector	154,7	374.0	421,4	421,8	820,2	852,0	913,3	916.9	611,8	1,099,8	1,194.0	1,083,3	1,210,3
Private sector	1,626,2	2,172,6	2,751.7	2,961.2	3,015,9	3,132,2	3,231,8	3,211.1	3,339,1	3,273,7	3,177.8	3,446,3	3,413,3
Bank Indonesia liquidity	1,332,5	1,770.8	2,772.7	3,144.4	3,341,3	3,489,2	3,893,8	3 882,0	3,943,6	3,937,7	4,069,3	4,046,6	4,080,6
Government sector	647,7	766,6	1,074,8	1,225,3	1,152,3	1·205,8	1,238,0	1,275,9	1,410,7	1,267,2	1,276,7	1,498,1	1,620.0
Private sector	684,8	1,004,2	1,697,9	1,918,9	2,209,0	2,283,4	2,655,8	2,606,1	2,534,9	2,670,5	2,793,6	2,548,5	2,460,6
Private national banks	308,1	777,1	1,146,8	1,330,1	1,430,6	1,634,0	1,701,2	1,732,8	1,701,8	1,764,9	1,734,0	1,848,5	1,897.4
Self liquidity	433,4	668,8	963,0	1,126,8	1,193,2	1,281,1	1,391,9	1,424,9	1·391,8	1,449,2	1,440,0	1,341,8	1,394,0
Government sector	7,0	10,3	12,6	13,1	12,9	13,1	13,9	15,2	16,0	21,0	13,8	19,0	20,0
Private sector	446,4	658,5	952,4	1,113,7	1,182,3	1,268,0	1,378,0	1,409,7	1,375,8	1,428,2	1,424,2	1,322,8	1,374,0
Bank Indonesia liquidity	34,7	108,3	181,8	203,3	253,4	252,9	309,3	307,9	310,0	313,7	314,0	306,7	303,4
Private sector	64,7	108,3	181,8	203,3	253,4	252,9	309,3	307,9	310,0	313,7	314,0	306,7	303,4
Branches of foreign banks[3]	284,0	387,2	648,6	607,3	813,3	622,8	673,8	810,2	603,7	602,0	624,2	649,6	662,6
Government sector	5,8	6,2	4,6	4,9	2,7	2,3	4,4	4,0	3,5	3,3	3,9	–	–
Private sector	278,2	381,0	343,9	602,4	812,6	620,3	369,4	606,2	600,2	598,8	620,3	649,6	662.6
I. Total of rupiah credits[4]	3,914,6	7,798.2	10,273,8	11,180,2	12,076,7	12,401,0	12,804,2	12,687,3	12,673.6	12,973.6	13,126,7	13,363,8	13,626,3
Government sector	2,803,0	3,430,8	4 071,4	4,293,4	4,741,0	4,719,0	4,430,9	4,463,8	4,214,2	4,392,2	4,706.4	4,801,1	5,118.4
Private sector	5,111,6	4,364,4	6,202.4	6,886.8	7,334,7	7,682,0	8,383,3	8,221,7	8,459,4	8,581,4	8,420,3	8,562,7	8,507.9
II. Foreign currency credit	412,4	858,9	461,6	604,1	383,4	620,9	900,7	793,7	796,2	827,3	841.6	893,0	903,8

[1] Direct credits from the Bank of Indonesia.

[2] As of March 1979 foreign currency loan (in rupiahs) to Pertamina is included.

[3] Self liquidity.

[4] Including the investment credits, KIK (small investment credit) and KMKP (permanent work capital credit).

[5] Provisional figures.

Table 14

IMPORT VALUE ASIDE FROM OIL BY COMMODITIES, 1969/1970 - 1983/1984
(c & f, in million US$)

Commodities	1969/1970	Percentage of Total	1970/1971	Percentage of Total	1971/1972	Percentage of Total	1972/1973	Percentage of Total	1973/1974	Percentage of Total
I. Consumption commodities	364.5	35.3	346.7	28.8	266,1	24.6	524.8	30,7	1,001.7	34.1
1. Rice	146.6		103.3		96.3		254.7		547.9	
2. Wheat flour	55,4		50.2		37.9		0.7		2.8	
3. Textile	22.9		39.2		27,4		22.0		21.1	
4. Other	139.6		154.0		104.5		247.4		429.9	
II. Raw materials/auxiliary	365.5	35.5	426.4	35.4	446.4	41.3	657.9	38.5	1.165.0	39.6
1. Clove	10.3		27.7		27.6		46.4		30.0	
2. Chemicals	47.0		63.0		34.7		63.1		98.9	
3. Chemical products	11,1		13,2		14.1		16.4		24.6	
4. Paint materials	10,4		18.6		21.2		28.7		42.4	
5. Fertilizer	24.9		27.4		44,5		61.2		235.5	
6. Paper	22.2		26.7		23,7		32.3		60.6	
7. Weaving yarn	66.2		39.8		49.1		82.4		95.5	
8. Cambric and shirting	10.6		4.4		2.7		1.7		0.4	
9. Cement	10.4		15.7		11.8		21.3		23.9	
10. Iron and steel products	33.6		54.8		54,0		90.8		177.4	
11. Other	118.8		135,1		163.0		213.6		369.8	
III. Capital goods	300.8	29.2	431,7	35.8	368.0	34,1	528.1	30.8	774.6	26.3
1. Iron and steel pipes	9.6		7.3		10.2		25.8		11.7	
2. Machineries	29.4		48.3		56.1		117.7		211.3	
3. Transportation equipment	8.8		12.0		24.8		25.6		63.4	
4. Other transportation equipment	24,2		76.5		45.5		63,5		118.5	
5. Other	228.8		287,6		231.4		295.5		369,7	
Total	1.030.8	100.0	1,204.8	100.0	1,080.5	100.0	1,710.8	100.0	2.941.3	100.0

Based on the opening of L/C.

Table 14 (continued)

Commodities	1974/1975	Percentage of Total	1975/1976	Percentage of Total	1976/1977	Percentage of Total	1977/1978	Percentage of Total	1978/1979	Percentage of Total
I. Consumption commodities	922.4	21.9	792.9	17.1	1,226.6	28.8	1,595.1	32.1	1,409.4	24.8
1. Rice	439.5		136.2		386.5		731.1		317.3	
2. Wheat flour	—		—		—		—		—	
3. Textile	28.8		23.5		42.4		32.6		30.1	
4. Other	454.1		633.2		797.7		831.4		1,062.0	
II. Raw materials/auxiliary	2,102.7	49.8	1,191.9	25.8	1,312.8	30.9	1,574.2	31.7	2,246.7	39.6
1. Clove	37.9		79.3		52.9		24.8		76.4	
2. Chemicals	102.6		141.5		177.5		201.8		264.7	
3. Chemical products	15.4		14.6		64.1		75.8		11.5	
4. Paint materials	59.0		65.7		83.2		88.1		101.5	
5. Fertilizer	1,108.2		89.3		14.2		40.2		74.9	
6. Paper	55.7		75.1		115.9		121.2		135.6	
7. Weaving yarn	88.4		65.6		77.0		91.2		112.6	
8. Cambric and shirting	0.1		—		—		—		—	
9. Cement	64.4		48.2		51.5		24.4		11.2	
10. Iron and steel produets	166.5		151.1		207.3		261.8		374.1	
11. Other	404.5		421.5		469.2		644.9		1,084.2	
III. Capital goods	1,195.6	28.3	2,638.4	57.1	1,711.3	40.3	1,801.9	36.2	2,022.4	35.6
1. Iron and steel pipes	13.6		22.1		19.8		62.6		35.5	
2. Machineries	239.6		428.7		271.8		364.0		422.1	
3. Transportation Equipment	68.1		86.0		73.1		76.5		92.5	
4. Other transportation equipment	168.1		244.7		197.9		384.6		456.0	
5. Other:	706.2		1,856.9		1,148.7		914.2		1,016.3	
Total	4,220.7	100.0	4,623.2	100.0	4,250.7	100.0	4,971.2	100.0	5,678.5	100.0

Based on the opening of L/C.

Table 14 (continued)

Commodities	1979/1980	Percentage of Total	1980/1981	Percentage of Total	1981/1982	Percentage of Total	1982/1983	Percentage of Total	1982/1983 (April-August)	Percentage of Total	1983/1984[1] (April-August)	Percentage of Total
I. Consumption commodities	2,033.0	29.3	1,824.7	19.1	1,448.1	16.5	1,136.1	14.6	480.2	14.2	284.2	18.8
1. Rice	803.8		204.8		40.9		—		—		—	
2. Wheat flour	—		2.4		0.1		0.6		0.1		0.4	
3. Textile	27.0		49.1		53.6		34.8		14.8		9.0	
4. Other	1,202.2		1,568.4		1,353.5		1,100.7		465.3		274.8	
II. Raw materials/auxiliary	2,344.8	33.7	3,413.2	35.7	3,665.5	41.8	3,337.1	42.9	1,516.1	45.0	657.8	43.7
1. Clove	57.9		93.6		111.1		17.0		17.0		—	
2. Chemicals	263.9		374.2		610.5		426.9		165.4		77.5	
3. Chemical products	12.5		25.3		6.6		6.3		2.5		1.3	
4. Paint materials	96.5		118.6		109.1		69.4		32.2		13.9	
5. Fertilizer	74.5		373.4		98.1		147.7		102.0		3.7	
6. Paper	120.3		208.5		179.9		193.8		69.8		43.5	
7. Weaving yarn	105.6		96.0		67.6		49.9		22.4		10.2	
8. Cambric and shirting	—		—		—		—		—		—	
9. Cement	9.2		27.0		16.0		49.9		8.0		3.5	
10. Iron and steel products	462.7		576.7		411.5		377.4		130.3		69.3	
11. Other	1,141.7		1,519.9		2,055.1		1,998.8		966.5		434.9	
III. Capital goods	2,574.7	37.0	4,314.6	45.2	3,657.9	41.7	3,307.9	42.5	1,375.4	40.8	564.9	37.5
1. Iron and steel pipes	32.3		25.1		24.0		43.4		17.1		6.5	
2. Machineries	352.9		550.3		578.7		450.6		216.4		134.8	
3. Transportation Equipment	100.1		234.4		200.2		102.8		38.5		8.5	
4. Other transportation equipment	436.2		732.4		556.5		370.9		167.5		52.5	
5. Other	1,653.2		2,772.4		2,298.5		2,340.2		935.9		362.6	
Total	6,952.5	100.0	9,552.5	100.0	8,771.5	100.0	7,781.1	100.0	3,371.7	100.0	1,506.9	100.0

Based on opening L/C.

1.

Table 15

APPROVED DOMESTIC CAPITAL INVESTMENT PROJECTS BY SECTOR, 1968 - 1983/1984[1]

Sector	1968 - 1981/1982		1968 - 1982/1983		1983/1984[2]		1968 - 1983/1984[2]		Realization[3]
	Number of of Projects	Capital (million Rp)	Number of Projects	Capital (million Rp)	Number of Projects	Capital (million Rp)	Number of Projects	Capital (million Rp)	
1. Agriculture/animal husbandry	167	580,375	180	1,026,107	9	104,544	189	1,130,651	513,186
2. Fishing	33	48,161	33	63,308	3	6,765	36	70,073	30,660
3. Forestry	481	1,175,304	487	1,322,556	–	– 807	487	1,321,749	491,913
4. Mining	27	145,106	35	1,037,423	3	14,656	38	1,052,079	233,064
5. Industry	2,623	6,257,774	2,747	8,069,754	32	1,198,603	2,779	9,268,357	3,285,548
6. Communication/tourism	275	404,656	296	549,456	6	133,119	302	682,575	226,637
7. Housing/officer	44	197,662	55	279,335	5	44,667	60	324,002	83,041
8. Infrastructure	9	21,777	9	21,777	–	–	9	21,777	59,662
9. Other activities	29	49,857	38	104,285	5	42,072	43	146,357	102,132
10. Electricity	1	418,585	1	418,585	–	–	1	418,585	– [4]
Total	3,689	9,299,257	3,881	12,892,586	63	1,543,619	3,944	14,436,205	5,025,843

[1] Up to July 1983.

[2] Number of projects and investments from new projects, expansion, changes. Transfer of status from PMA (Foreign Investment) to PMDN (Domestic Investment) and those that have been cancelled/have backed off.

[3] Up to March 1983 based on incoming reports.

[4] Reports not yet received.

Table 16

APPROVED DOMESTIC CAPITAL INVESTMENT PROJECTS BY LOCATION, 1968 - 1983/1984[1]

Location	1968 - 1981/1982		1968 - 1982/1983		1983/1984[2]		1968 - 1983/1984[2]		Realization[3]
	Number of Projects	Capital (Rp million)	Number of Projects	Capital (Rp million)	Number of Projects	Capital (Rp million)	Number of Projects	Capital (Rp million)	Capital (Rp million)
JAVA	2,426	5.895,705	2,555	7,596,497	59	1,100,956	2,572	8,697,455	2,710,736
1. DKI Jakarta	781	1,350,692	799	1,646,760	15	186,747	812	1,855,507	649,891
2. West Java	829	5,179,665	872	5,854,765	15	575,709	887	4,410,472	1,275,779
3. Central Java	516	562,622	555	515,722	5	264,198	556	777,920	265,594
4. DI Yogyakarta	54	49,922	64	65,714	1	21,951	55	75,665	55,700
5. East Java	446	952,802	475	1,547,558	7	32,551	482	1,599,889	485,992
OUTSIDE JAVA	1,265	3,403.554	1,551	5,296,089	25	442,663	1,576	6,758,752	2,315,087
6. DI Aceh	58	82,149	41	96,895	1	276,498	42	575,595	57,567
7. North Sumatra	202	343,776	208	452,726	5	55,604	215	466,550	524,644
8. West Sumatra	52	168,055	59	221,152	2	11,000	61	252,152	89,530
9. Riau	82	254,042	88	698,851	1	10,115	89	708,967	97,514
10. Jambi	46	59,868	50	80,910	—	—	50	80,910	113,724
11. South Sumatra	68	507,828	75	774,825	—	—	75	774,825	510,000
12. Bengkulu	14	18,512	15	24,191	1	11,189	16	55,580	6,555
13. Lampung	65	161,891	64	227,879	2	17,945	66	245,822	64,645
14. West Kalimantan	95	128,919	104	278,045	1	15,602	105	286,645	564,657
15. East Kalimantan	196	854,026	209	1,013,497	1	15,479	210	1,026,976	591,692
16. Central Kalimantan	104	157,715	107	190,150	—	—	107	190,150	125,869
17. South Kalimantan	60	180,542	66	205,084	1	7,292	67	210,576	84,852
18. North Sulawesi	27	40,984	28	46,074	3	6,255	51	52,529	18,684
19. Southeast Sulawesi	8	46,296	10	55,245	1	4,005	11	57,248	5,476
20. Central Sulawesi	24	67,625	24	71,886	1	5,666	25	77,552	40,442
21. South Sulawesi	77	112,797	87	351,257	2	18,536	89	549,815	55,551
22. Maluku	45	115,925	51	199,269	2	15,055	55	212,524	71,715
23. Bali	51	70,520	51	70,574	—	—	51	70,574	29,975
24. West Lesser Sunda Island	6	44,522	8	61,476	1	404	9	61,880	6,515
25. East Lesser Sunda Island	7	15,952	9	42,072	—	—	9	42,072	7,675
26. Irian Jaya	18	194,056	17	195,056	—	—	17	195,036	70,649
Total	3,689	9,299,257	3,884	12,892,586	64	543,610	5,948	14,456,205	5,025,843

[1] Up to July 1983. [2] Number of projects and investments from new projects, expansion, changes, transfer of status from PMA (Foreign Investment) to PMDN (Domestic Investment) and those that have been cancelled/have backed off. [3] Up to March 1983 based on incoming reports.

Table 17

APPROVED FOREIGN INVESTMENT BY SECTOR, 1967 - 1983/1984[1]

Sector	1967 - 1981/1982		1967 - 1982/1983		1983/1984[2]		1967 - 1983/1984[2]		Realization[3]
	Number of Projects	Capital (thousand US$)	Number of Projects	Capital (thousand US$)	Number of Projects	Capital (thousand US$)	Number of Projects	Capital (thousand US$)	Capital (million US$)
1. Industry	477	7,135,373	492	9,328,305	— 7	430,955	485	9,759,260	3,431.1
2. Agriculture	59	239,215	58	247,241	— 1	— 1,500	57	245,741	236,0
3. Forestry	69	582,731	61	507,787	—	3,203	61	510,990	451,3
4. Fishing	24	147,970	25	151,707	— 2	— 15,500	23	136,207	89,1
5. Mining	10	1,444,983	9	1,451,405	—	—	9	1,451,405	983,9
6. Communication/tourism	31	352,172	31	352,172	—2	14,950	29	367,122	106,5
7. Trade	3	11,672	3	11,672	—	—	3	11,672	79,2
8. Construction	63	93,924	64	123,874	—	300	64	124,174	122,5
9. Other services	51	362,430	56	610,043	1	50,852	57	660,895	144,3
Total	787	10,370,470	799	12,784,206	— 11	483,260	788	13,267,466	5,643,9

[1] Up to July 1983.

[2] Number of projects and investments from new projects, expansion, changes, transfer of status from PMA (Foreign Investment) to PMDN (Domestic Investment) and those that have been cancelled/have backed off.

[3] Up to March 1983 based on incoming reports.

Table 18

APPROVED FOREIGN INVESTMENT BY LOCATION, 1967 - 1983/1984[1]

Location	1967 - 1981/1982		1967 - 1982/1983		1983/1984[1]		1967 - 1983/1984[2]		Realization[3]
	Number of Projects	Capital (thousand US$)	Number of Projects	Capital (thousand US$)	Number of Projects	Capital (thousand US$)	Number of Projects	Capital (thousand US$)	Capital (thousnnd US$)
JAVA	535	4,704,891	559	7,105,368	– 5	78,636	554	7,184.004	2,851,499
1. DKI Jakarta	282	1,829,956	500	2,827,870	– 2	57,321	298	2,885,191	834,152
2. West Java	159	2,112,983	165	3,467,264	2	49,915	167	3,517,179	1,430,398
3. D.I. Yogyakarta	3	8,385	5	8,505	– 1	– 1.000	3	8.505	291,576
4. Central Java	21	233,010	22	242,506	–	–	21	241,506	7,425
5. East Java	70	520,577	69	659,223	– 4	– 27,600	65	591,623	287,948
OUTSIDE JAVA	252	5,665,579	242	6.678,838	– 6	404,624	236	6,083,462	2,792,465
6. D.I. Aceh	6	435,910	6	435,910	2	423,986	8	859,896	201,266
7. Jambi	5	28,405	6	28,405	–	3,203	5	31,608	19,490
8. North Sumatra	46	1,939,404	46	1.914,114	– 2	– 925	44	1,915,189	579,050
9. West Sumatra	4	55 593	4	55,393	–	–	4	55.593	23,857
10. Riau	23	320,227	23	443,967	– 4	– 29,640	19	414,327	85,528
11. South Sumatra	14	73,490	13	75,836	–	–	13	75,836	103,260
12. Lampung	8	85,551	7	79,910	– 1	–1,500	6	78,410	50,635
13. South Kalimantan	7	66,654	6	63,154	–	–	6	63,154	31,925
14. West Kalimantan	7	15,053	7	15.053	–	–	7	15,053	19,990
15. Central Kalimantan	17	125,956	16	95,891	–	–	16	95,891	77,113
16. East Kalimantan	22	235,497	17	186,734	–	–	17	186,734	255,785
17. Central Sulawesi	6	78,937	5	64,656	–	–	5	64,656	22,581
18. South Sulawesi	6	28,086	5	19,779	–	–	5	19,779	319,967
19. North Sulawesi	3	77,893	5	77,893	–	–	3	77,893	12,056
20. Southeast Sulawesi	3	29,655	3	29,655	–	–	3	29,655	12,061
21. West Lesser Sunda Island	1	3,499	1	3,499	–	–	1	3,499	3,499
22. East Lesser Sunda Island	2	3,828	2	3,828	–	–	2	3,828	440
23. Bali	5	47,440	5	15,977	1	25,000	6	70,977	53,943
24. Maluku	7	46,916	6	36,916	–	–	6	36,916	18,773
25. Irian Jaya	15	309,625	17	544,108	– 2	– 15,500	15	328,608	185,372
26. Indonesian territory	9	8 445	9	8,446	–	–	9	8,445	505
27. Some regions	35	1,645,015	35	1.645,013	–	–	35	1,645,015	710,809
28. Indonesian territorial waters	1	4,700	1	4,700	–	–	1	4,700	4,560
Total	787	10,370,470	801	12.784,206	– 11	483,260	790	13,267,466	5 643,964

[1] Up to July 1983.

[2] Number of projects and investments from new projects, expansion, changes, transfer of status from PMA (Foreign Invstment to PMDN (Domestic Investment) and those that have been cancelled/have backed off.

[3] Up to March 1983 based on incoming reports.

Table 19

APPROVED FOREIGN INVESTMENT BY COUNTRY OF ORIGIN, 1967 - 1983/1984[1]

Country of Origin	1967 - 1981/1982		1967 - 1982/1983		1983/1984[1]		1967 - 1983/1984[2]		Realization[3]
	Number of Projects	Capital (thousand US$)	Number of Projects	Capital (thousand US$)	Number of Projects	Capital (thousand US$)	Number of Projects	Capital (thousand US$)	Capital (thousand US$)
1. Japan	205	3,746,945	215	4,414,556	– 6	– 13,457	209	4,401,099	2,052,449
2. Hong Kong	127	1,178,297	127	1,210,259	– 2	10,952	125	1,221,211	681,558
3. South Korea	18	143,006	20	188,055	–	–	20	188,055	69,087
4. Taiwan	5	146,250	5	146,250	–	–	5	146,250	19,674
5. Thailand	5	9,360	5	9,360	–	–	5	9,360	4,929
6. Singapore	54	167,698	52	170,803	– 1	– 1,986	51	168,818	55,771
7. The Philippines	8	45,646	7	55,580	–	–	7	55,580	51,161
8. Malaysia	14	19,384	13	16,384	–	–	13	16,384	10,252
9. Brunei	3	15,800	3	15,800	–	–	3	15,800	2,577
10. India	7	112,612	7	119,965	–	93	7	120,058	5,197
11. Australia	56	285,241	56	282,465	–	–	55	282,465	220,120
12. New Zealand	2	900	2	900	–	–	2	900	542
13. United States	72	456,958	72	519,522	– 5	397,798	67	917,120	332,271
14. Canada	3	10,755	3	10,755	–	–	3	10,755	6,643
15. Panama	6	29,095	6	44,872	–	–	6	44,872	17,210
16. Burma	1	8,064	1	8,064	–	–	1	8,064	–
17. Great Britain	44	130,840	46	296,590	1	21,720	47	318,110	91,674
18. France	9	48,576	9	48,576	–	5,503	9	54,079	27,757
19. Netherlands	44	482,760	41	496,660	–	12,750	41	509,410	208,612
20. West Germany	24	266,244	24	406,207	1	12,891	25	419,098	157,796
21. Belgium	16	125,635	16	926,511	–	–	16	926,511	182,129
22. Switzerland	15	76,727	16	175,437	–	– 5,212	16	170,225	112,145
23. Lichtenstein	4	12,694	4	12,694	– 1	– 2,000	3	10,694	4,675
24. Denmark	4	33,351	4	34,248	–	–	4	34,248	14,454
25. Norway	2	16,675	2	16,675	–	1,095	2	17,770	8,706
26. Italy	1	4,552	2	16,792	–	–	2	16,792	4,265
27. Liberia	2	20,250	2	20,250	–	–	2	20,250	15,348
28. Sweden	–	–	1	2,075	–	–	1	2,075	–
29. Spain	–	–	–	–	1	25,000	1	25,000	–
30. Grouping of countries	76	2,780,197	79	3,142,347	1	16,112	80	3,158,459	1,310,404
Total	787	10,370,470	799	12,784,206	– 11	483,260	788	1,326,466	5,643,964

[1] Up to July 1983. [2] Number of projects and investments from new projects, expansion, changes, transfer of status from PMA (Foreign Investment) to PMDN (Domestic Investment) and those that have been cancelled/have backed off. [3] Up to March 1983 based on incoming reports.

Table 20

OIL EXPORT AND PRODUCTION, 1969/1970 - 1982/1983 (in million barrels)

Year	Production	Export
1969/1970	284.0	241.3
1970/1971	314.0	267.1
1971/1972	341.5	287.7
1972/1973	412.3	359.7
1973/1974	508.4	439.1
1974/1975	485.1	406.9
1975/1976	497.9	424.5
1976/1977	568.3	486.8
1977/1978	616.5	535.2
1978/1979	589.2	509.5
1979/1980	577.2	447.3
1980/1981	581.1	441.7
1981/1982	570.5	426.2 [1)]
1982/1983 [2)]	458.8	341.4

[1] Revised figures.

[2] Provisional figures.

Table 21

OIL REFINERIES VOLUME, 1969/1970 - 1982/1983
(in million barrels)

Year	Refined Oil (in-take)	%-increase
1969/1970	75.8	–
1970/1971	86.0	13.5
1971/1972	93.1	8.3
1972/1973	103.0	10.6
1973/1974	128.9	25.1
1974/1975	115.5	– 10.4
1975/1976	117.8	2.0
1976/1977	116.6	1.1
1977/1978	161.3	38.3
1978/1979	158.2	– 2.0
1979/1980	195.0	23.3
1980/1981	189.9 [1)]	– 3.3
1981/1982	191.0 [1)]	0.6
1982/1983 [2)]	183.1	– 4.1

[1] Revised figures.

[2] Provisional figures.

Table 22

PRODUCTION AND USE OF NATURAL GAS, 1974/1975 - 1982/1983
(billion feet cubic)

Year	Production	Use
1974/1975	206.2	78.4
1975/1976	239.2	85.2
1976/1977	344.4	148.1
1977/1978	633.1	366.7
1978/1979	868.2	650.6
1979/1980	1,028.8	795.1
1980/1981	1,042.2	813.1
1981/1982	1,136.2	914.8
1982/1983 [1)]	1,098.6	932.6

Table 23

EXPORT AND PRODUCTION OF FERRIFEROUS SAND, 1970/1971 - 1982/1983 (in thousand tons)

Year	Production	Export
1970/1971	53.8	–
1971/1972	298.2	242.7
1972/1973	237.6	276.2
1973/1974	321.7	283.6
1974/1975	349.2	348.6
1975/1976	346.2	290.1
1976/1977	299.7	276.9
1977/1978	317.2	219.2
1978/1979	120.2	66.5
1979/1980	78.5	9.5
1980/1981	68.3	35.1
1981/1982	105.6[1)]	25.5
1982/1983 [2)]	129.9	10.3

[1] Revised figures.

[2] Provisional figures.

Table 24

COAL PRODUCTION, 1969/1970 - 1982/1983 (in thousand tons)

Year	Production	%-increase
1969/1970	176.0	–
1970/1971	175.4	– 0.4
1971/1972	196.8	12.2
1972/1973	177.2	– 10.0
1973/1974	145.9	– 17.7
1974/1975	171.6	17.6
1975/1976	204.0	18.9
1976/1977	183.3	– 10.1
1977/1978	248.5	35.6
1978/1979	256.0	3.0
1979/1980	267.3	4.4
1980/1981	329.3	23.2
1981/1982	376.2	14.2
1982/1983[1)]	456.5	21.3

[1] Provisional figures.

Table 25

SOME INDUSTRIAL PRODUCTS, 1969/1970 - 1982/1983

Products	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83 [2]	Change Percentage 1982/1983 to [2]	
															1969/70	1981/82
1. Textile (million metres)	449.8	598.3	732 0	852.0	926.7	974.0	1,017.1	1,247.0	1,332.5	1,576.0	1,910.0	2,027.3	2,094.0	1,708.9	279.9	– 18.4
2. Weaving yarn (thousand bales)	182.1	217.0	239 0	262.0	316.2	364.0	445.4	662,9	678.3	837.3	998.0	1,184.0	1,233.0	1,370.0	652.3	11.1
3. Assembled cars (thousand)	5.0	2.9	16.9	23.0	*36.7	65.6	78.9	75.3	83.9	108.7	102.5	172,5 [1]	209,9	188.4	3,668.0	– 10.2
4. Assembled motor cycles (thousand)	21.4	31.1	50.0	100.0	150.0	251.0	300.0	267.6	271.8	330,5	221,6	410.0	503.3	577.4	2,598.1	14,7
5. Fertilizers:																
- Urea (thousand tons)	85.4	102.9	108.4	120.0	115.7	209.1	387.4	406.0	990.0	1,437.2	1,827.0	1,985.1	2,006.7	1,944.1	2,176.5	– 3.1
- ZA (thousand tons)	–	–	–	49.7	122.8	129.1	113.8	105.2	93.3	141.0	147.8	180.8	195.2	209.6	–	7.4
6. Cement (thousand tons)	542.0	568.4	530.4	722.3	819.0	828.9	1,241.4	1,979.3	2,878.6	3,629.0	4,705.1	5,851.8	6,844.2	7,650.0	1,311.4	11.8
7. Motor tyres (thousand)	366.4	401.5	507.7	857.6	1,351.5	1,704.0	1,796.0	1,883.3	2,339.1	2,540.4	2,898.4	3,320,0	3,816.9	3,885.6	960.5	1.8
8. Glass/bottles (thousand tons)	12.2	11.0	7.4	16.6	37,2	34.8	32,3	36.4	59.9	63.7	68.4	77.3	84.8	93.1	663,1	9.8
9. Waterglass (thousand tons)	–	–	–	–	22.3	21.6	29.5	30.9	43.6	51.4	67.3	106.2	89.9	100.7	–	12.0
10. Aluminium sulfate (thousand tons)	–	3.0	7.2	11.6	17.2	14.3	13.7	15.1	18.5	18.8	12,9	15.4	17.7	17,8	–	0.6
11. Sulfuric acid (thousand tons)	–	3.6	8.6	11.2	17,7	8,6	15.3	18.9	19.8	24,5	50.9	39.8	37.2	32,2	–	– 13.4
12. Paper (thousand tons)	17.0	22.2	30.1	39.6	47.2	43.2	46.7	54.4	83.5	155.2	214,2	232.0	246.6	296.9	1,646.5	20.4
13. Coconut oil (thousand tons)	263.0	258.2	260 7	264.5	264.5	265,0	268.4	276,2	276.3	319.1	452,0	610.0	480.8	442.1	68.1	– 8.0
14. Cooking oil (thousand tons)	27.0	26.0	27.2	28.8	28.7	29.4	30.6	32.6	31,3	37,8	266.2	278.9	326.4	780,9	2,792.2	139,2
15. Laundry soap (thousand tons)	133.0	132.2	132.4	132,0	131.3	148,9	164.6	175,5	194.9	218.5	202.9	213.0	207,8	249.8	87.8	20.2
16. Clove cigarette (billion)	19.0	20.5	21.4	23.7	30.2	30.6	33.3	37.9	40.9	43.5	41.5	50,5	65.6	59.1	211.1	6.3
17. White cigarette (billion)	11.0	13.7	14.7	16.8	20.4	21.9	23.5	22.6	23.1	25.7	28.6	33.4	28.4	27.1	146,4	– 4.6
18. Matches (million boxes)	269.0	322.0	348.0	475.3	566.0	707,0	780.0	772.0	506.1	539,8	553.0	586.2	664.8	681,4	153,3	2.5

[1] Revised figures.

[2] Provisional figures.

Table 25 (continued)

Products	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83 [2]	Change Percentage 1982/1983 to [2] 1969/1970	1981/82
19. Tooth paste (million tubes)	15.0	25.0	26.0	30.0	32.0	46.0	107.8	103.6	104.4	108.5	113.9	123.0	137.3	143.0	866.7	3.5
20. Detergence (thousand tons)	–	4.0	5.6	5.2	6.6	7.0	34.9	33.4	38.5	44.2	46.5	54.4	63.9	66.8	–	4.5
21. Accumulator (thousand pcs.	32.0	56.2	262.0	130.0	140.0	180.0	220.0	480.0	375.0	690.0	1,747.2	3,319.7	3.631.6	3,321.0	10,903.1	- 3.6
22. Radio (thousand)	363.5	393.3	416.0	700.0	900.0	1,000.0	1,000.0	1,100.0	1,000.0	1,536.0	1,018.8	1,110.5	1,134,9 [1]	1,389.9	337.4	37.7
23. Television set (thousand)	4.5	4.7	65.0	60.0	70.0	135.0	166.0	210.0	460.0	733.2	659.8	730.1	846.9	635.3	14,422.2	–22.8
24. Assembled sewing machines (thousand)	14.0	13.5	262.0	340.0	800.0	400.0	520.0	400.0	484.0	600.0	477.6	525.4	531.6	393.5	2,710.7	–28.7
25. Dry batteries (million)	54.0	55.2	72.0	72.0	132.0	144.0	240.0	420.0	442.0	420.0	462.0	526.7	333.6 [1]	576.6	967.8	4.2
26. Zinc sheet (thousand tons)	8.5	34.4	66.6	69.6	70.0	70.0	145.0	156.0	185.0	185.0	250.0	294.2	301.3	316.7	3.625.9	3.0
27. Steel wire (thousand tons)	–	–	–	15.0	30.0	30.0	43.4	84.6	98.0	100.0	108.0	143.2	139.7	128.3	–	–19.7
28. Steel pipes (thousand tons)	1.9	2.9	6.0	34.0	80.0	94.0	97.0	107.0	120.0	118.3	129.5	153.8	243.0	282.3	14,768.4	16.3
29. Electric light bulb/neon lamps (million)	3.5	5.5	6.0	12.3	18.0	18.9	21.0	26.0	24.8	30.4	29.9	33.8	36.5 [1]	30.4	768.6	–16.7
30. Concrete bar (thousand tons)	4.5	10.0	74.0	75.0	120.0	115.0	202.0	296.3	240.0	300.0	500.0	640.5	671.8	743.8	16.428.9	10.7
31. Air conditioners (thousand)	4.5	4.7	31.8	20.0	20,0	24,0	23.0	30.0	29.3	26.4	47.4	73.5	33.6	53.0	1.122,2	2.6
32. Electric/telecom cables (thousand tons)	1.0	4.0	–	6.0	7.0	9.0	9,0	9.0	12.5	15.7	17.4	19.1	18.7	20.1	1.910.0	7.5
33. New steel ship (thousand GRT)	4.8	10.2	10.2	10.2	15.6	17.3	15,0	18.5	13.2	11.5	24.0	27.5	28.9	22.0	358.3	–23.9
34. Sprayer (thousand tons)	–	–	–	–	40.0	20.0	15,0	20.0	15,3	36.5	78.0	134.2	134.3	139.7	–	3.5
35. Vetsin (thousand tons)	–	–	–	–	7.3	7.4	7,5	8.1	10.0	21.6	20.0	26.2	33.3	30.2	–	–10.0
36. Diesel engines (thousand)	–	–	–	–	2.0	8.0	8,0	24.0	25.3	30.4	25.0	34.1	69.4	64.6	–	– 6.9
37. Sweet condensed milk (million boxes)		–	–	1,3 [1]	2,4	2,2 [1]	2.5	3,3 [1]	4.4	4.1	4.8	5.5	5.2	4.9	–	– 3.8

[1] Revised figures.

[2] Provisional figures.

Table 26

THE INDONESIAN POPULATION AND ITS DENSITY IN 1971 AND ITS PROJECTION UP TO 1983 (in thousand)

Islands	Java	Sumatra	Kalimantan	Sulawesi	Other	Indonesia
Number of Population						
1971 [1)]	76,086	20,808	5,155	8,527	8,632	119,208
1976	85,289	24,282	5,924	9,812	9,883	135,190
1977	87,076	24,989	6,079	10,070	10,128	138,342
1978	88,904	25,724	6,240	10,334	10,377	141,579
1980 [1)]	91,269	28 016	6,723	10,410	11,072	147,490
1981	93,340	29,028	6,942	10,665	11,340	151,315
1982	95,103	29,962	7,143	10,887	11,567	154,662
1983	96,893	30,929	7,350	11,112	11,799	158,083
Density/Km^2						
1971 [1)]	576	44	10	45	15	62
1976	633	45	11	43	17	67
1977	650	46	11	44	18	68
1978	663	47	11	46	18	70
1980 [1)]	690	59	12	55	19	77
1981	706	61	12	56	19	79
1982	719	63	13	58	20	81
1983	733	65	13	59	20	83
Average growth rate annually in 1971-1983	2,03%	3,31%	2,21%	2,28%	2,43%	2,46%

[1] Census figures.

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